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14 August 1984

CHINA REPORT

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PROVINCIAL AFFAIRS

TEXT OF SICHUAN GOVERNMENT WORK REPORT

HK261301 Chengdu SICHUAN RIBAO in Chinese 1 Jul 84 pp 1, 2, 3

["Government Work Report Delivered by Governor Yang Xizong at the Second Session of the Sixth Sichuan Provincial People's Congress on 21 June 1984: Be Brave in Carrying Out Reforms, Be Bold in Opening to the Outside World so as To Vitalize the Economy of Sichuan"]

[Text] Fellow Deputies:

On behalf of the provincial people's government, I now submit a report on the work of the government, and particularly on how to vitalize the economy of Sichuan, for examination and approval by the current session.

The current situation in our province is excellent. Under the leadership of the CPC Central Committee, the State Council and the Sichuan Provincial CPC Committee, we have won gratifying successes in all fields of work, fulfilling all the tasks set by the First Session of the Sixth Provincial People's Congress, thanks to concerted efforts by the people of all our nationalities and the PLA units stationed in Sichuan.

Owing to continued implementation of the principle of readjusting, restructuring, consolidating and improving the national economy, and the improvement in economic results, in 1983, our province overfulfilled almost all plans for economic scientific and technological, and social development. The total output value of industry and agriculture shot up to 59.4 billion yuan, 10.4 percent over that in 1982. The contracted responsibility system based on the household with remuneration linked to output has been perfected, specialized households have vigorously developed, and a large number of economic combination bodies independently organized by peasants have emerged in various forms. Thus, the self-supporting or semi-self-sufficient agriculture is changing into commodity and specialized production. In 1983, the gross output value of agriculture rose to 25.4 billion yuan, an increase of 7.3 percent, while the output of grain exceeded 80 billion jin and the gross output value of enterprises in townships and towns went up to 5.1 billion yuan. Meanwhile, there was a big increase in forestry, animal husbandry, sideline production and fishery. Light and heavy industries have developed in good proportion with better economic returns. The gross output value of industry jumped to 34 billion yuan, an

increase of 12.8 percent. Of this, the gross output value of heavy industry went up by 16.2 percent and that of light industry by 9.3 percent. There has been a simultaneous increase in the output value of industry and sales, taxes on sales, and profits of industrial products. The investment pattern in capital construction has been readjusted and the building of a number of key construction projects has been speeded up. The supply of commodities was adequate, the province's market was brisk, prices remained basically stable and the total volume of retail sales went up by 9 percent. The province's revenues increased by 13.8 percent and there was a slight surplus in the budget. The living standards of both urban and rural people have further improved. The per capita net income of the peasants rose by 6.3 percent, while the average per capita income of families of workers and office staff which was available for living expenses went up by 9.2 percent. Of 71 major industrial and agricultural products as defined by the province's Sixth 5-Year Plan, we have fulfilled 2 years in advance, or overfulfilled, the output targets of 36 items such as coal, gas, iron, steel, steel products, timber, cement, chemical fertilizer, grain, cotton, and meat.

The province has also scored great successes in the building of socialist spiritual civilization and has achieved good results in tackling key scientific and technical problems and spreading and using new technology. Students enrolled in the province's institutions of higher education increased by 21 percent over the previous year. Teaching quality in general education has been enhanced, various courses of adult higher education have developed vigorously, and the drive to acquire general knowledge and learn science and technology is gaining momentum among workers and peasants. There have been new advances in the fields of sport and public health. We have also scored considerable achievements in family planning with the birth rate dropping to 6 per 1,000. Departments concerned with literature and art, the press, publishing, broadcasting, television and research in social sciences have made positive contributions in opposing and resisting spiritual pollution and promoting socialist spiritual civilization. State power and the legal system have been further strengthened, great successes have been scored in reforming administrative structure and separating government functions from the management of production in the communes, and we have achieved highly gratifying results in dealing sternly with serious criminal cases. As a result, there has been a marked improvement in public order and social atmosphere.

A special feature of this year's economic development is that party rectification has promoted reforms and economic work. From January to May, the total output value of industry went up by 11.2 percent over the corresponding period of last year. The quality of products improved, the variety of marketable goods increased, and the growth rate of sales, profits, and taxes exceeded that of production. A very gratifying situation has emerged. We are now sure that we will be able to reach or surpass all targets set by the provincial Sixth 5-Year Plan.

Over the past year, the mutual promotion and sound development of the two civilizations has further strengthened political stability and unity and has brought about a steady economic development in the province. The situation as a whole is excellent. However, there are still a great many

difficulties and problems ahead of us, generally speaking, economic results cannot improve as expected, the supply of energy is insufficient, the situation in transport is strained, some raw materials are in short supply, the circulation of commodities is not satisfactory, and the increase of revenues cannot meet the needs of economic development. We, as leaders of the provincial government, have not been able to thoroughly free ourselves from conventional thoughts or totally extricate ourselves from bureaucratic work style and low efficiency in work. We are resolved hereafter to overcome these shortcomings and to solve the outstanding problems.

In accordance with the plans of the CPC Central Committee and the State Council, and in line with the actual situation in the province, the Sichuan Provincial CPC Committee has set general demands for "making the people well-off and upgrading the province's economic position and for creating a new situation in all fields of the province's work," in order to attain the general objective put forth by the 12th CPC National Congress. Making the people well-off as quickly as possible is the starting point and aim of all our economic work and policies. To attain it, the key to the problem lies in expanding socialist production, achieving better economic results, ensuring a quadrupling of the gross output value of industrial and agricultural production by the end of the century and changing the intermediate position of the per capita gross annual value of the province's industrial and agricultural production in the country. In vigorously implementing the spirit of the "Government Work Report" by Premier Zhao Ziyang, at present, we must pay special attention to two major issues: restructuring the economy and opening to the outside world in our economic work. In further emancipating our minds and being realistic, we must give priority to urban reforms and be sufficiently bold in opening the province to the outside world, while continuing to carry out rural reforms in depth. We must be brave in breaking with all outmoded ways of thinking and all established customs and practice which do not accord with the new situation and new tasks. At the same time, we must be bold in adopting and popularizing all good methods, measures, and experiences that are suited to the new situation and new tasks.

Here I would like to stress the following 10 points on the main theme of being brave in carrying out reforms and opening the province to the outside world so as to vitalize the economy of Sichuan.

I. Work Out Macroplans for Economic, Scientific and Technological and Social Development by Taking Into Consideration Both Short-Term and Long-Range Needs

Vitalizing the economy of Sichuan calls for an overall strategic arrangement and a comprehensive balance in planning. While working out plans for future economic, scientific and technological and social development, we must take into consideration both the present production tasks and long-range development and integrate economic results with growth rate so as to ensure the steady growth of our economy in the coming years as well as conserving our strength for future economic advance.

In the light of the state macroplans and the basic situation in the province and centering on the point of achieving better economic returns and social

results, the province's strategic plans for economic, scientific and technological and social development are to lay a good foundation (agriculture), to give play to favorable conditions in two aspects (natural resources and enterprises in the third line), and to strengthen three weak links (transport, energy, and raw materials; the development of intellectual resources; and opening to the outside world). Meanwhile, we must continue to lay special stress on family planning and strictly control population growth. In strategic overall arrangements, we must bring into play the role of Chongqing and Chengdu as key cities, further develop the Panxi area and the areas on both sides of the Chang Jiang, and support the economic development in the Panzhou mountain area and minority nationality areas.

Further efforts must be made to reform the planning system, to improve guidance in planning, to strengthen overall balance and to enhance the managerial level in macroeconomy. Greater attention must be paid to education and science and technology so as to promote the economy, science and technology, and social undertakings in a coordinated way. It is necessary to perfect the system of overall planned targets and to apply the use of all kinds of economic levers in planned management so as to make good use of the three managerial forms--mandatory plans, directive plans, and regulation by market mechanism. Feasibility studies and necessary demonstrations must be conducted and full preparations must be made before the building of all large and medium-sized construction projects start. At the same time, it is necessary to bring into play the supervisory and managerial role of the financial, taxation, pricing, banking, auditing, statistical and industrial and commercial administrative departments and deal severely with all cases that violate financial or economic discipline, in order to keep a firm grip on major aspects while allowing flexibility in minor ones.

We are short of funds. This is a fairly big contradiction in the province's economic development. We must improve methods of acquisition and accumulation and create favorable conditions for doing those things which are within our capabilities.

We must do our best to do good preparatory work for large- and medium-sized construction projects so as to strive for their inclusion in state plans. In addition to this, financial and monetary departments at all levels should exercise their functions to accumulate financial resources by all possible means and to collect funds in order to promote expansion of production and circulation of commodities. At the same time, we must encourage enterprises and peasants to raise funds, gradually increase the depreciation rate of fixed assets, and use extra funds which are collected for delivery to the state to develop local small projects of energy, transport, and communications. In addition, we can also boldly use funds from abroad and from other provinces to do more things. Of course, we must do what we are capable of and must not do anything which is beyond our capability.

II. Develop the New Situation in Rural Areas, Lay a Solid Foundation for the National Economy

At present, the rural areas are seeing an unprecedented excellent situation but also face a number of ever complicated and new problems. This is a

critical moment. We must maintain the stability and continuity of our rural policies and progressively sum up new experiences and solve new problems in practice so as to make further advances on the already good situation in the rural areas.

The guiding ideology of developing our province's rural economy is: While consolidating and perfecting the responsibility system in agricultural production, we must develop specialized households, expand enterprises in townships and towns, build more small market towns, clear circulation channels, promote commodity production and achieve better economic results. In distribution of development, we must quicken the pace of developing counties on the outskirts of cities and the economy in the areas adjacent to neighboring provinces and give strong support to the development of the Penzhou mountain area, minority nationality areas, and the Pingba hilly country. During the Seventh 5-Year Plan, we must reach and strive to surpass the three "one-third" targets, that is, one-third of the peasants whose per-capita net income will be 300 yuan; one-third, 400 yuan; and one-third, 500 yuan.

It is necessary to continuously consolidate and improve the output-related system of contracted responsibilities and to help peasants expand their production scale on the basis of their household operation and raise their economic results. Farmland should be contracted on a long-term basis, the period for which land is under contract can be extended, and a peasant can find another contractor to take over his contracted land. The gradual concentration of land among efficient farming families should be encouraged to a level where these families will become much more specialized in farming. It is necessary to improve the contracted responsibility system in forestry, animal husbandry, and fishery, to encourage individual households or associate households specialized in forestry to contract more barren hills for promoting production of a developmental nature, and to implement and improve the responsibility system in animal husbandry and management of grasslands in three autonomous prefectures. The output-related system of contracted responsibilities should also be vigorously promoted among workers and staff members of government-run agricultural farms and livestock farms.

Specialized households represent the progressive productive forces in the rural areas, they are forerunners of peasants who are now striving to become well-off. At present, specialized households tend to develop into three types--large specialized households, specialized townships and villages, and integrated bodies of peasant households and jointly organized enterprises. We must give them active support and guidance and bring into full play their leading role in developing rural commodity production. Meanwhile, we hope that the development of specialized households will bring along thousands upon thousands of peasant households, especially families with material difficulties, in the course of getting well-off through labor. It is necessary to publicize extensively and in depth the persistent policy of allowing some peasants to become rich ahead of others and the persistent policy of supporting specialized households in becoming well-off through labor so as to brush away doubts among peasants and clear up some erroneous views in society. The relevant departments should set up step by step a

system of services for commodity production in order to satisfy the peasants' demands in market information, techniques, cultivation of improved seeds, fodder, plant protection, epidemic prevention, capital, supply and marketing, processing, storage, transport and operational guidance. It is necessary to protect the just rights and interests of specialized households by law and to educate specialized households to observe state policies and laws and to become rich through labor and scientific farming.

While taking a firm grip of extensive farming on nearly 100 million mu of farm land, we should energetically promote production of a developmental nature no more than 500 million mu of uncultivated land, to make full use of all kinds of surface and underground resources. On the premise of protecting and improving the ecological environment, we must quicken the pace of improving the structure of the agricultural economy in line with actual conditions and stick to the road of developing agriculture, forestry, animal husbandry, sideline production and fishery in an all-round way and promoting overall operation of agriculture, industry, and commerce so as to strive to increase the commodity rate of agricultural and sideline production products. In terms of the whole province, we should ensure a steady increase in grain production and strive to be self-sufficient in grain by storing up in fat years to make up for lean ones. At the same time, we should delimit a certain proportion of farm land for planting of cotton, oil crops, sugarcane, hemp, tobacco, medicinal herbs, vegetables and other industrial crops. The land which is not suitable for farming should be gradually turned over for use in the development of forestry and animal husbandry. Strenuous efforts must be made to develop and make good use of more than 500 million mu of hilly land, grasslands, and water surface for further development of large-scale agriculture. We should particularly quicken the pace in afforestation and planting of trees and grass for the development of forestry and animal husbandry. With continued implementation of the principle of things being run by the local people and subsidized by the state, we should encourage individual peasants or a group of peasants to pool capital to develop farm land, water conservancy, grazing land and marsh gas in a planned way and to improve conservation of water and soil.

In rural reforms, stress must be placed on summing up systematic experiences from experimental spots where overall reforms are being carried out within the limit of a county. A county is a place where goods and materials are flowing between city and country and also an entity which includes agriculture, industry, commerce, finance and culture. Carrying out overall reforms at the county level is another campaign following the introduction of the output-related system of contracted responsibilities and a decisive link in the all-round development of rural economy. This is of great significance in the structural reform of the urban economy, or even of the whole economy. Counties where experimental reforms are being carried out must first sum up their experiences and then make continuous efforts to improve their experiences before they are spread to other counties in an attempt to achieve better economic results.

Leading cadres at all levels must acquire a fresh understanding of the changing rural economy, learn how to develop the commodity economy, learn how to

utilize the relationship between commodity and currency and to use the law of value to work for planned economy and learn how to lead the work of production, exchange, supply and consumption in an all-round way so as to be able to assume overall responsibility on the economic development and to conduct brave exploration. Only by so doing will it be possible for us to gradually open up a new way for the development of socialist agriculture with distinctive Chinese features.

III. Quicken Steps in Urban Reforms and Give Play to the Role of Key Cities

The rapid development of urban reforms and the amazing expansion of commodity production and commodity exchange in city and country calls for an increased pace in urban reforms. Through exploratory experiments in the past few years, we have accumulated valuable experiences and created many favorable conditions for urban reforms. Following the direction of reforms as pointed out in the "Government Work Report" by Premier Zhao, we must do a good job in the structural reform of the urban economy in our province.

In making reforms in cities a success, we must resolutely implement the principle of opening to the outside world and enliven the domestic economy. Under the guidance of state plans, we must concentrate our efforts on bringing the initiative of the enterprises and workers and staff into fullest play, building a single market by breaking down barriers between different trades, and stimulating growth of the national economy by improving economic results. Centering on the question of overcoming the prevailing defect of "everybody eating from the same big pot" in the urban economy, we must properly handle the relationship between the state and the enterprises and between the enterprises and workers and staff members in financial distribution, and step by step work out a set of reform measures that are suited to present needs and put them into practice simultaneously. Priority must be given to the reform of enterprises and the circulation system to bring along reforms in other aspects so that cities will gradually become centers of production, commodity circulation, science and technology, education and market information. Then, they can link up county towns, market towns, and rural areas and make overall arrangements for production and flow of goods and products between town and country so that they may become different types and scales of economic zones or economic networks within an open system.

The second step of the reform, namely, having every enterprise pay taxes to the state instead of delivering profits, can not only ensure a steady growth of state revenues but also provide every enterprise more earnings and decisionmaking power in management. The first step in putting this reform into practice was taken in June last year with very good results. The State Council has decided that starting with the fourth quarter of 1984, the second step should be taken so that all enterprises will gradually switch to the substitution of tax payments for profit delivery, instead of having the two methods in use simultaneously. Enterprises may retain some profits after taxes are paid. The better the economic results which are achieved, the more profits the enterprises may retain. Small state-owned enterprises may be run by the collective or by individuals under contract or lease. Or

these enterprises may pay progressive taxes on an 8-grade scale to the state in the same way as collective enterprises do.

At present, the most important task for the urban economic reform is to streamline the administrative structure, decentralize management powers, give greater scope to the initiative of enterprises so as to tap their great potentialities and to build up the economic strength of cities. This will lay a solid foundation for the cities to act as economic centers. Though state enterprises are owned by the state, the power over their operation should be held by the enterprises themselves. Economic departments at all levels should delegate to the enterprises those powers over their routine operation and management so as to change the situation in which enterprises are not in the position to assume responsibility for their operation. Through this devolution, the enterprises should become economic entities that conduct independent business accounting and assume sole responsibility for their profits and losses. The State Council has promulgated the "Provisional Regulations on Further Extending the Decisionmaking Power of the State Industrial Enterprises," giving such enterprises due power in the following 10 aspects: planning for production and operation, sales of products, pricing, selection and purchase of materials, use of funds, handling of assets, structural establishment, administration of affairs concerning personnel and labor, wages and bonuses, and inter-unit associated operation. Governments at various levels should take resolute action and adopt concrete measures to ensure the implementation of these regulations so as to delegate real power to the enterprises. At the same time, the factory director responsibility system should be instituted step by step, with pilot projects being carried out in some selected enterprises in large cities. Then, experience gained by these enterprises should be spread to all enterprises.

After achieving greater decisionmaking power in their management, state enterprises should establish various forms of the economic responsibility system in connection with enterprise consolidation and should strictly define the tasks and work norms for their workers and staff members so as to overcome various defects in enterprise operation, such as overlapping functions, responsible people lacking necessary power, slow decision, and low efficiency. Efforts should be made to raise the quality and capacity of the enterprises. In the light of their differing conditions, enterprises have the authority to decide on the amount of wages and bonuses and to adopt various forms of remuneration, such as bonuses based on work points, piece-rate wages, floating wages, wages appropriate to posts and subsidies appropriate to particular jobs. As far as bonuses for workers and staff members are concerned, we will introduce the practice of imposing "no ceiling or lower limit" and taxing that part of bonuses that exceed a certain limit. Thus, we will closely link workers' incomes with the enterprises' overall performance and with workers' personal contributions and will do away with egalitarianism in income distribution. Hardworking people will be rewarded and lazy people will be punished, and people who make greater contributions will be able to earn more. This will effectively arouse the work enthusiasm of workers and staff members. Meanwhile, enterprises should continue to improve their management and concentrate efforts

on increasing profits and stopping losses. In particular, close attention should be paid to reorganizing and building enterprise leading bodies. Higher authorities should resolutely promote competent cadres who are younger and better educated and who have courage and insight in economic reforms to various leading positions.

It is necessary to extend the rights and responsibility of major cities and let them act as central organizers for economic activities. Remarkable achievements have been made by Chongqing city in its pilot projects for the comprehensive reforms of the economic system, and the good experience gained by Chongqing city should be better summed up and spread in Chengdu city and 14 other cities in the province. Various provincial departments should continue to support and help these reforms. The provincial government has decided that in principle, enterprises subordinate to the provincial authorities will be transferred to the cities under the jurisdiction of the provincial government, and local enterprises will be transferred to the cities where the enterprises are located. When enterprises are transferred to lower administrative authorities, their product ranges, existing cooperative relationships, the wage scales and fringe benefits of the workers, and the supply of raw materials and energy must remain unchanged. At the same time, the provincial government has decided to decentralize some economic powers concerning the management of production, materials distribution, energy supply, capital construction, technical transformation, and technical training and the authority to approve plans for conducting economic and technical cooperation, using foreign funds, and importing technology to various cities so as to help them break barriers and modernize associated economic activities. Cities should coordinate urban and rural economic activities and help integrate industry with agriculture and integrate scientific research with production so as to organize a reasonable economic order. They should employ economic levers, carry out the principle of voluntarism, mutual benefit, equality, and consultation in organizing specialized cooperation, and give priority to the development of quality products. Economic association and specialized cooperation can be conducted in varied forms, and the pace in this field should be quickened. As for enterprises involved in economic associations, their ownership form, subordinate relationships with their parent departments, the status as independent economic units, the terms for tax payments and profit delivery, and the wage standard of workers should remain unchanged. It is necessary to strengthen the infrastructure of the cities, develop their transport facilities and their functions of providing technological, financial, information, and materials redistribution services, and give play to their leading role in the economic activities.

After enterprises are transferred to the lower administrative authorities, provincial economic departments must strengthen management of their respective trades. They should coordinate the development of the whole trade, work out overall development plans and supervise the implementation of these plans and of other economic and technical policies, and provide various services for their subordinate units. They should supervise the fulfillment of yearly production plans, popularize new technology, develop new products, provide economic information, and organize personnel training. At the same

time, these provincial departments should be authorized to take charge of some key technical transformation and capital construction projects and to arrange the use of funds earmarked for these projects. They should also be in charge of the distribution of special materials and equipment, the management of special products, the issuance of production licenses, the decision on various quotas, the recommendation of advanced enterprises and quality products, the employment of economic levers, and the enforcement of economic regulations.

It is necessary to carry out an overall reform of the construction industry so as to substantially increase returns on investment. This is a step that has a great bearing on the national economy as a whole. We should spread the experience of the No 1 construction company of Chongqing city. The reform of the building industry should focus on shortening the construction cycle, reducing costs, improving quality and increasing the returns on investment. We should promote multiform economic responsibility systems centered on contracting through public bidding and should encourage the adoption of the investment responsibility system and the method of fixing the amount of materials in accordance with the amount of work contracted. The peasants' building teams should be allowed to take part in public bidding for contract projects in the cities. The institutes of design should gradually turn themselves into community-oriented enterprises and should implement a system of strict technical and economic responsibility to bring the initiative and creativity of the designers into full play and to enhance the quality of designs.

IV. Reforming Circulation Systems, Clearing Circulation Channels

With the growth of commodity production, there is a growing abundance of most agricultural and industrial products, and we are now faced with the new task of developing markets and expanding sales. We should act on the principle of maintaining the leading role of the planned economy supplemented by market mechanism, uphold the spirit of promoting production in the service of the people, and transform the existing commodity circulation system, which consists of unified purchase and supply of goods according to administrative divisions and levels, into an open, multichannel system with fewer intermediate links. In this way, a criss-cross circulation network extending to all parts of the country will be formed to ensure the smooth flow of goods between town and country and exchange of goods between different regions and the expansion of a single socialist market.

At present, efforts should be focused on reforming the wholesale system. It is necessary to establish all kinds of trade centers. Now, Chongqing and Chengdu have established trade centers for manufactured goods and farm produce, which combine wholesale business with retail sales, as well as combining self-operated businesses with transactions on commission. All economic units, whether state, collective, or individual and regardless of the regions and departments to which they belong, can do business and compete with one another at these trade centers. Practice shows that commodity exchange through trade centers helps establish direct links between the producer and the seller and break down barriers between different

regions and between different trades and helps promote the sales of farm produce in towns and the sales of industrial goods in the country. It is proving a good way to clear the channels of commodity circulation and make transactions smoother. We should actively popularize the experience of Chongqing and Chengdu, and establish trade centers in the other 14 cities as soon as possible. At the same time, trade centers and wholesale markets should also be established gradually in county towns and major traditional distribution centers for farm produce so as to form a wholesale network with key cities as centers. In addition, it is necessary to merge the second-tier wholesale stations at the provincial level with specialized wholesale corporations at the municipal level, or even merge these wholesale stations and corporations with trade centers. These trade centers can deal in all kinds of goods or specialize in a particular kind of goods. Departments in charge of materials distribution should also establish trade centers for producers' goods in cities or establish comprehensive markets for selling production materials. Apart from certain kinds of essential means of production and badly needed consumer goods, which will remain under the control of the state and be supplied according to plan, all goods can be traded freely at the trade centers and wholesale markets. Cities and towns should provide places for trade centers and farm produce fairs and should provide better storage, transport, and communications facilities and better livelihood conveniences. All this should be included in urban development plans. When running the trade centers well, we should continue to improve and regulate relationships between industry and commerce and between agriculture and commerce and develop various kinds of associated operation between industry, agriculture, and commerce. It is necessary to strengthen the work of market survey and market forecast through effective market information services so as to expand sales in an effective way.

Supply and marketing cooperatives in the rural areas act as a bridge linking the state with the peasantry and help economic interchange between town and country. It is necessary to advance the structural reform of these organizations in accordance with the State Council's relevant instructions and to make breakthroughs in the five areas. The fundamental step is to change them from state-run enterprises into cooperative enterprises run by local peasants. Grassroots supply and marketing cooperatives should possess human, material, and financial resources and can independently decide on their operation, marketing, and purchases. Supply and marketing associations at the provincial, city, and county levels should serve these grassroots organizations. Peasants should be encouraged to become shareholders of the grassroots supply and marketing cooperatives, which must be closely linked to the peasants' economic interests. They must thoroughly reform their labor and personnel system, and cadres of these organizations should be elected or appointed through inviting public applications. Workers should be employed on a contract basis. The egalitarian practice of distributing income among workers should be changed. The proportion of bonus funds can be raised to an appropriate degree. Restrictions on the business scope of supply and marketing cooperatives should be lifted. Apart from the goods under special control specified by the state and provincial authorities, supply and marketing cooperatives should be allowed to deal in all kinds of goods. They should strengthen cooperation with rural specialized

households and should provide various services, including market information, materials supply, the popularization of technology and scientific knowledge, processing and storage, and livelihood conveniences, so as to act as comprehensive service centers in the countryside. All state policies for encouraging the development of the collective economy apply to supply and marketing cooperatives in principle.

It is necessary to readjust the purchase and marketing policies and expand the scope for free purchase and marketing. The kinds and quantities of farm produce subject to monopolized purchase by the state should be reduced in a planned way. After the quotas under the state purchase plan have been fulfilled, major farm and sideline products vital to the nation's economy and the people's life can be traded through many channels and transported for sale over long distances. As for the purchase and marketing of ordinary farm and sideline products, it is all the more necessary to further encourage flexible operation along with the growth in production, and to organize production and the sale of products according to market demand and price changes. State-run commerce and supply and marketing cooperatives should engage in market competition and strengthen their guidance and regulation with regard to purchasing and retailing activities. Purchase and marketing of industrial goods should be further enlivened. It is necessary to gradually restore and formulate reasonable systems of regional, seasonal, quality, and town-and-country price differences in industrial and farm products.

With state-run commerce playing the leading role, the socialist market needs to have rational arrangements and coordinated development among the various sectors of the commercial economy. Full scope should be given to collective and individual businesses. A more flexible policy should be instituted with regard to small-scale commercial enterprises run by the state, especially the catering trade, the service trades, the repair businesses, and small-scale retail trades. In light of their different conditions, they can be run by collectives while continuing to be owned by the state and should bear sole responsibility for their profits and losses and pay taxes according to regulations. Some of them can be contracted to collectives or leased to individuals. Large-scale and medium-sized commercial enterprises should also introduce various forms of the economic responsibility system in a planned way and according to their own specific conditions. They should make an all-round assessment of the work of their personnel, issue bonuses rationally, reward the good and fine the bad. All commercial workers must abide by business ethics, provide good service, do business with civility and not harm the interests of consumers by shifting losses onto them.

V. Introduce Readjustment and Transformation in Third-Line Enterprises and Give Full Play to the Favorable Conditions in the Arms Industry, the Machinery Industry, and the Electronics Industry

Our province is one of the key provinces in the third line of construction. The state government has concentrated financial, material, and human resources on the economic construction in our province, with the arms, machinery, and electronics industries as the focal points, and has thus vigorously pushed ahead the development of energy and communications

production. This policy has played an important part in strengthening the defense capability of the country and in speeding up the exploitation of energy resources, improving the layout of industries, and boosting the economic and cultural development in minority nationality areas in our province. However, we are still faced with quite a few long-standing issues which badly need to be studied and solved in their entirety. In December last year, the State Council adopted the correct decision on properly carrying out readjustment and transformation of third-line enterprises so as to bring their initiative into full play. Through readjustment and transformation, third-line enterprises will become a major force in revitalizing the province's economy and pushing forward technological progress, and a powerful backing in support of key state projects and economic and technological cooperation with foreign countries.

The readjustment and transformation of third-line enterprises must be carried out step by step, in a balanced way, and according to an overall plan. In drawing up and implementing the readjustment and transformation plan, we must bear in mind the whole situation of the national economy, fulfill the requirements laid down in the Seventh 5-Year Plan and the long-term state plan, remove the barriers between different departments and between different areas, strengthen administration over different trades while giving full play to the role of major cities, readjust and reallocate the productive forces in a rational way, promote cooperation between specialized trades and economic unification, and thus push ahead technological progress. We must actively assist the departments responsible for the work in finding out the real situation facing third-line enterprises, and take necessary policy decisions in support of these enterprises in accordance with different cases so as to properly carry out the readjustment in their organizational structure and product mix.

We must lay emphasis on major tasks in carrying out readjustment and transformation and give full play to our favorable conditions in the arms, machinery, and electronics industries. On the premise that the production quota of military supplies is fulfilled, we must devote all the resources to construction of key projects and the technological transformation of the national economy, undertake the tasks of developing essential technological equipment assigned by the state as well as the task of developing key products assigned by the authorities of the third-line areas to fill the gaps in the chain of equipment. At the same time, we must make full use of such modern technology as microelectronics, lasers, and optical fiber telecommunications to develop new materials and new production technology, to promote new industrial branches such as microelectronic computers and so on, and to produce commodities for export to meet the demands of the international market.

It is necessary to further implement the guideline of integration of the military industry and other industries, to turn the military industrial enterprises and those enterprises catering to the needs of military industry into enterprises manufacturing products for military use as well as products for civil use. It is necessary to step up the process of application of military industrial technology to the production of commodities for civil

use, in accordance with the principle of equality and mutual benefit, on an economical and rational basis, and by various means such as transfer of technical personnel, regular technical aids, technological transfer, cooperative projects aiming at tackling key technical problems, hire of equipment, jointly run enterprises, technical consultative service, and so on.

VI. Promote the Energy Industry, Strengthen Communications and Transportation, and Develop the Raw and Semifinished Materials Industries

The shortage of energy, communications and transportation facilities, and raw materials is a tremendous obstacle to the economic development of our province at present and will remain a drag on further economic development in the future. We must make up our minds to solve this problem step by step in accordance with the principle of simultaneously developing large-, medium-, and small-sized enterprises while giving consideration to both long- and short-term needs.

In developing the energy industry, we must continue to attach importance to coal production and the exploitation of coal mines. While intensifying the exploitation of the mining zones of Huaying Shan, Songzao, Furong, Guangwang, Nantong, and Dukou, it is necessary to step up the construction of the Yunlian coal mine in southern Sichuan, give full support to development of county- and collective-run small-sized coal mines, improve coal preparation and washing facilities, and strengthen the comprehensive exploitation of coal. As for the electric power industry, it is necessary to step up the construction of the hydroelectric power stations at Tongjiezi, Baozhusi, and Yuzixi and the thermal power stations at Chongqing and Baima so that these power stations can be put into operation as soon as possible. It is necessary to step up preparations for such large-scale projects as the hydroelectric power stations at Ertan, Bubugou, and Taipingyi and the thermal power stations at Jiangyou, Luohuang, and Huangjuezhuang so that these projects can be started as soon as possible. And, in addition, it is necessary to build a number of local medium- and small-sized electric power stations. It is necessary to find as much natural gas reserves as possible, speed up natural gas exploitation and the construction of the gas pipeline network, and ensure a steady growth in production output and a more rapid development in the future.

It is necessary to step up development in communications and transportation facilities and postal and telecommunications service. With regard to railways, it is necessary to lay emphasis on the electrification projects for a few trunk lines so as to raise their capacity. With regard to road transportation, it is necessary to modify the existing highways, place stress on raising highway capacity, appropriately develop highway networks between counties and between townships and especially in mountainous areas, and replace worn-out vehicles with new ones so as to raise the transport capacity. It is necessary to vigorously develop water transportation, dredge navigation channels, build more piers, commission more ships, develop water transport in the "three rivers" (namely, Min Jiang, Fu Jiang, and Jialing Jiang) as well as in the Chang Jiang so as to raise the province's

export capacity. It is necessary to develop air transport and make full use of the existing transport facilities so as to raise the transport capacity. It is necessary to promote postal and telecommunications service so as to improve communication of information.

Our province is rich in mineral resources, a total of 134 kinds of minerals having been discovered here. Moreover, Sichuan also ranks among those provinces in the country with the richest reserves of quite a few kinds of minerals. The exploitation and comprehensive utilization of these resources will not only provide our province as well as others with more raw materials in short supply but will also mean an important source of income. The development of the Panxi area as a particularly valuable place of the country has been covered by the state plan of comprehensive exploitation of the territory. While ensuring the completion of the overall plan, it is necessary to speed up the second phase project of the Pangang iron and steel corporation and the construction of the Huidong lead-zinc mine, the Huili lead-zinc mine, the Lala copper mine, the Chahe tin mine, and the integrated smelter, and to build up a modern comprehensive industrial base with the ferrous and nonferrous metallurgical industries and the energy industry as its key undertakings. It is necessary to devote persistent efforts to the technological transformation of the Chongqing iron and steel works, Chengdu seamless tubing mill, and other key enterprises and local iron and steel works. It is necessary to pay attention to intensified processing of natural gas and vigorously develop production of compound fertilizer. A chemical industrial base with coal, sulphur, salt, and natural gas as raw materials is to be built in southern Sichuan. It is necessary to vigorously promote the production of building materials with cement as the key product and to develop various new building materials in particular.

VII. Raise the Production of High-Quality But Low-Priced Consumer Goods To Meet the Demands of the Market

The further expansion of commodity production and commodity exchange ensures an ample supply of raw materials and a larger market for the developing consumer goods industry and sets higher and higher demands on it. We must make up our minds to change the backward state of the consumer goods industry in our province, accelerate technological progress, mend our pace in replacing old products with newly developed products, vigorously develop good and cheap new products, and improve the packing of commodities, so as to meet the needs of the domestic and world market.

In developing the consumer goods industry, we must take the 26 categories of best-received products of the province as the key link and the 9 major industries of food, wine, cigarettes, salt, sugar, paper, silk and chemicals of everyday use as the mainstay in order to build a base of both raw materials and processing materials. Thus, a light industrial base with Sichuan features precisely for processing agricultural and sideline products will be gradually built up. In developing mechanical and electrical products, priority must be given to the production of motorcycles, television sets, radio and tape recorders, washing machines and bicycles. By bringing in advanced technology from abroad, carrying out technical transformation, and

amalgamating and reorganizing some factories, we must improve quality, increase the volume of wholesale trading, and lower production costs. While promoting key products, we must successfully develop the production of popular goods of dependable quality and all kinds of small commodities.

The food industry must be further expanded. In the near future, stress must be placed on processing and making overall use of grain crops, oil-bearing crops, meats, fruits and vegetables. In this way, we will restore and develop step by step the production of traditional food, instant food, food for health protection, food for children and food for the aged.

Efforts must be made to improve the quality and increase the variety of textile and silk products through technical transformation. We must adhere to the principle of developing both natural and chemical fibers, while stepping up the development of chemical fiber. New technology and craftsmanship must be widely used for improving printing and dyeing processes and after-treatment of fabrics and expanding the production of long fiber silk fabrics, woolen fabrics, silk-dacron fabrics and tweed. In readjusting the fabric mix, we must not only meet the need for clothing but also make advances in opening a new prospect for a variety of daily-use products.

As for the medical apparatus and medicine industry, we must actively research and produce new products with good quality and high efficacy and enhance the quality of Chinese medicine pills.

VIII. Boldly Develop Collective Enterprises in Towns and Cities, Speed up the Building of Small Market Towns

Developing both small and large enterprises in towns and cities is of great significance for revitalizing the province's economy. We must correct the idea of belittling and discriminating against collective enterprises in towns and cities and boldly develop them with flexible policies by giving political care, timely guidance, economic support and technical assistance as we do to government-run enterprises.

Under the guidance of the state plans, efforts should be made to develop mainly the industries of processing agricultural and sideline products, food, fodder, energy, building materials, clothing, leather and plastics as well as building construction, transport, commerce, restaurants and other service trades. If needed, we can also develop some kinds of enterprises which basically serve large-scale industry on the outskirts of large- and medium-sized cities. In principle, the state will no longer make any investment in building new factories for processing agricultural and sideline products. Instead it will mainly help enterprises in towns and cities process local materials, or let government-run enterprises, enterprises in towns and cities, supply and marketing cooperatives and specialized households make joint investment in running the processing industry. We must insist on overall planning and unified control over exploitation of mineral resources, and will issue licenses to individual peasants and the collective to exploit scattered small mines. Exploitation of state-run coal mines at the prefectural and county levels can also be contracted to workers and

staff members or peasants. The relevant departments should relax conditions and examine and promptly approve applications for running collective enterprises in towns and cities.

Collective enterprises in towns and cities, which basically depend on regulation through the market to command their production, should have much more decisionmaking power than government-run enterprises and should not be controlled in the same way as government-owned enterprises. Fundamentally speaking, we must introduce the output-related system of contracted responsibilities in varied forms in collective enterprises in towns and cities so as to combine responsibility, authority and benefit, train talented people and achieve better economic results. Collective enterprises in towns and cities may open all avenues for finding fuels which are permitted by state policies. After paying taxes, they have the right to adopt the system of "sharing profits after deducting costs" and other flexible distribution systems. The development of collective enterprises mainly relies on funds collected from the masses and accumulation of capital by enterprises. Yet financial departments at various levels must do their best to allocate a certain amount of money every year for the development of collective enterprises in towns and cities, and give necessary support and special consideration in taxation and loans. No unit or individual is now allowed to indiscriminately transfer, divert, or divide property of collective economic units by any means or under any pretext. With the exception of the taxes levied by the state and the province, no other extra levies should be imposed on collective economic units under any pretext.

The collective economy, being a necessary and useful supplementary means to the socialist public ownership, should be energetically developed according to social requirements. We must encourage job-awaiting youths and other unemployed people in large- and medium-sized cities to run individual businesses in market towns. The relevant departments must play a supporting role, solve problems emerging in the development of the individual economy, and help to establish associations of individual laborers at all levels so as to bring their role into full play.

Developing small market towns is of great importance to stepping up the building of political, economic, and cultural centers in certain areas, changing the face of the countryside, gradually reducing the distinction between town and country and between workers and peasants, employing surplus productive forces and limiting the scale of large cities. In the building of small market towns, we must first work out plans and uphold the principle of combining town with country, integrating workers with peasants and developing them in a direction favorable to production and the life of the masses. We must make rational plans for development on a possible scale and in a fixed direction, adopt measures and give priority to development in line with the local natural conditions and economic advantages. Meanwhile, we must adhere to the principle of transforming the old while building the new, make full use of existing facilities, maintain traditional style and local features and pay attention to environmental protection. The masses and all social forces must be mobilized and encouraged to do their part in the building of small market towns. Governments at all levels should

allocate a certain amount of funds every year specially for the development of small market towns.

IX. Promote Technological Progress and Strengthen Exploitation of Intellectual Resources

Economic reinvigoration should rely on science and technology, whereas science and technology should serve economic construction. Various aspects in our provincial economy and technological equipment are comparatively backward, and our scientific and technological level is comparatively low. This is an important reason why the present economic results are not high. We should seize the opportunity to actively promote technological progress. We should not slacken our efforts in fundamental study. We should greatly strengthen our study on exploitation-related projects and technical application, and import and popularize some advanced technologies of foreign countries. We should also turn scientific and technological results into productive forces as rapidly as possible in order to meet the demand of the new technological revolution and the acceleration of the four modernizations.

Microcomputers are characterized by some strong points such as advanced technology, adaptability, efficiency, less investment and rapid results. The application of microcomputers is an important content in the contemporary new technological revolution. We should take active measures to popularize the application of microcomputers in industrial and agricultural production, economic management, work in government organizations, and social services. Proceeding from the popularization of the application of microcomputers, industrial enterprises should grasp the three links of developing new products, improving product quality, and reducing energy consumption in order to integrate our efforts to overcome technological difficulties with the technological reforms and technological introduction, to integrate research work of professional workers with the technological innovation of the masses, and to integrate research work of research organizations run by factories with that of the research organizations of universities and colleges, as well as specialized research institutes. We should gradually put industrial production on the basis of modern technology, so that our products will reach the international level of the late 1970's and early 1980's as soon as possible. Agricultural, scientific, and technological work should conform with the new situation of the vigorous development of the rural commodity production, and the rapid increase of the number of specialized households. We should establish a technological responsibility system based on contract, increase the number of model households engaged in scientific and technological undertakings, set up technological service centers and integrated production and technology bodies, actively popularize and apply modern scientific and technological results such as bioengineering and others, grasp the work of crop and livestock variety development by selection, develop comprehensive technology aimed at increasing the output of agricultural products, eggs, fish, and meat, improve the ecological environment, and profoundly promote processing industry of agricultural and sideline products.

We should give full play to the role of intellectuals, and strengthen the exploitation of intellectual resources. This is a basis for the promotion of technological progress and economic reinvigoration. We should further eliminate the "leftist" ideological influence, continue to overcome the erroneous viewpoints of neglecting knowledge and discriminating against intellectuals, and conscientiously implement the policy toward intellectuals. We should popularize the general practice of attaching importance to knowledge and respecting intellectuals in the whole of society. We should be bold in promoting a great number of middle-aged and young cadres to the posts responsible for scientific, technological and management work. We should confer necessary power on them, give them a free hand in their work, and adopt effective measures to gradually improve their work, study, and living conditions. With regard to those outstanding middle-aged and young intellectuals who have made great contributions and resolutely serve socialism, leaders at various levels should be bold in smashing equalitarianism, breaking with existing practice to promote them, and providing them with the necessary material guarantee. With regard to those leading cadres who have ideologically opposed the policy of the party and state toward intellectuals, and refused to implement it in practice, we should resolutely dismiss them from their leading posts. We should reform the management system over scientific and technological personnel, and promote a rational flow of talented personnel in order to change the phenomena that some departments are short of talented personnel, whereas some other departments and units are overstaffed, and waste talented personnel. We should provide intellectuals with ideological work and educate them so that they obey orders and consciously and happily accept jobs in the areas where conditions are hard. The state needs them most in those areas. In the meantime, we should adopt active measures to create conditions to improve living conditions in the remote areas, and help them solve difficulties in sending their children to school. We should provide intellectuals in those areas with excellent pay and conditions in order to encourage the flow of talented personnel from big cities to medium and small cities, from economically developed areas to underdeveloped areas, and from the areas and units which are overstaffed to the areas and units which are short of talented personnel.

Leaders at various levels should have foresight and sagacity. They should regard the exploitation of intellectual resources as an investment which can produce the greatest economic results, and the most fundamental capital construction. They should vigorously develop multilayered and multiform educational undertakings, do well in running universities, colleges, general education, vocational schools, normal schools, and preschool education. They should also actively develop broadcasting and television education as well as correspondence schools. They should encourage people to become successful through self-study, and train more talented personnel for the four modernizations. Provincial financial bureaus and various local financial departments should increase their investments in education, and make efforts to increase the proportion of educational funds in financial expenditure at various levels year by year. In the meantime, we should arouse the enthusiasm of various quarters in the society, and encourage state-run enterprises, collective enterprises, democratic parties, mass organizations and individuals to run education by relying on their own

efforts to raise funds. We should open all avenues for education and actively encourage and greatly support study activities of workers and staff members aimed at reinvigorating the Chinese nation. Through such activities, more and more workers and staff members will carry out self-education, strengthen their patriotic feelings, master scientific and cultural knowledge, and embark on the path of becoming successful through self-study.

Governments at various levels should put the reforms of the scientific and technological system and educational system on their important agenda. The reforms of the scientific and technological system as well as educational system should keep abreast with economic reforms. Scientific research units, universities, colleges and technological development departments of big enterprises should not confine their activities to their own units. They should serve the society, give play to their own specialty, and make contributions to the promotion of technological progress and economic development. While serving the society, they should also develop themselves and enhance their own vocational level. Scientific research units which are engaged in technological development and application should actively popularize the experiences of Zhuzhou's electronics research institute and the Chengdu electronics research institute. They should cooperate with other units by means of contracts, and implement the responsibility system for research projects. Cost accounting for each and every research project should also be based on the responsibility system so that the present system of research projects based on funds allocated by the state will be gradually changed into an economically independent research system. With such economic pressure, research institutes will have more driving force and vitality. Scientific and technical personnel will enhance their sense of responsibility to show concern for economic results, and bring their enthusiasm and creativity into full play. We should expand the decisionmaking power of scientific research units, and allow some scientific and technical personnel who have made great contributions to economic construction to get rich first. Universities and colleges should learn from and popularize reform experiences of Shanghai's Jiatong University, Xinan Agricultural Institute, and Sichuan Agricultural Institute. They should serve the society, carry out research projects for economic construction in light of their specialties, and define the ranges of study of various kinds of scientific and technical personnel based on a system of personal responsibility. We should develop various kinds of educational, scientific research and production integrated bodies, improve teaching quality and enhance the economic results of the society and schools.

X. Be Bold in Implementing an Open-Door Policy, and Make Efforts To Create a New Situation in Economic and Technical Cooperation With Foreign Countries

Opening up to foreign countries and vitalizing the domestic economy is an important strategic policy for developing economy in the new historical period of our country. At present, world trade, financial exchanges, and technical transfer among countries have been expanding, and the new technological revolution is progressing vigorously. Most countries have closely linked the development of their own economy with their economic and

technological contacts with other countries. Socialist construction in our country should be based on independence and initiative, and the principle of equality and mutual benefits. On such a basis, we actively carry out economic cooperation and technical exchanges with foreign countries. The CPC Central Committee and the State Council have decided to further open up coastal port cities to foreign countries, and do well in running special economic zones. Through relaxing policies and reforming management system, we will link up the northern and southern coastal cities and turn them into coastal forward positions for opening up to foreign countries. This will certainly play an important role in developing science and technology, popularizing management experience, bringing about a prosperous domestic market, expanding foreign trade, transmitting economic information, training and supplying talented personnel, supporting and bringing along the hinterland, and effectively promoting economic construction of the whole country. We should further emancipate the mind, be bold in implementing an open-door policy, work against time, and change the backward economy, technology, and management in our province as early as possible.

The open-door policy has two implications: 1) opening up to other provinces; and 2) opening up to foreign countries. Opening up to other provinces, especially to the coastal provinces and cities, is the basis of opening up to foreign countries. While strengthening economic and technological cooperation between Yunnan, Guizhou, Guangxi, Sichuan and Chongqing, we should exert great efforts to develop our economic and technical cooperation with coastal provinces and cities, and ports which have opened up to foreign countries in particular. Coastal areas are further developing their own economy and have strong desires to cooperate with inland areas. Although our province is rich in natural resources, and has vast market and technical strong points for developing military industry, ours is a land-locked province, which lacks information, funds, management experiences and ports for economic exchanges with foreign countries. Our economic development is restricted. Therefore, cooperating with coastal areas and supplying each other's needs is beneficial to our economic development. We should regard coastal port cities which have opened up to foreign countries and special economic zones as windows, bridges, channels and outposts, and make use of them in order to exchange information, import advanced technology, and speed up enterprise economic reform in our province. We should make use of them to export commodities, and import advanced equipment and facilities as well as materials and goods we lack. We should make use of them to introduce foreign capital to exploit our natural resources. We should transplant advanced technology and management methods introduced by coastal areas in order to produce our own competitive and high-quality products. In the meantime, we should make full use of various kinds of channels to carry out economic exchanges with foreign countries, promote imports and exports, introduce technology, funds, and talented personnel, develop the business of exporting labor force, undertake construction projects in foreign countries based on contracts, and expand various kinds of economic and technical cooperation with foreign countries. While implementing an open-door policy, we should actively develop and promote tourism.

While boldly implementing an open-door policy, we should solve problems occurring in ideology, organizations, policies and measures. We should overcome the ideas of closing our province to international intercourse, and self-sufficiency. We should get rid of closed-door economy, and establish an open economy. Various economic fields and sections should promote cooperation with foreign countries by adopting various flexible means such as combined operations, compensation trade, manufacturing complete sets of equipment, investment in engineering projects, and so forth. We should adopt a policy of giving preferential treatment, such as giving preferential treatment to compensation, giving priority for the supply of the "three kinds of materials" and energy, offering convenience for the use of land and transportation, improving material and living conditions of those engineering and technical personnel who take part in technical cooperation projects and others. In so doing, we will attract more and more enterprises and individuals to invest in our province and cooperate with us. We should create a good environment for investment, and offer convenience to our collaborators in terms of traffic, transport, communication, lodging, daily necessities, and so forth. We should train talented personnel who have knowledge of external intercourse, know about economics, and are good at dealing with foreign businessmen. Governments at various levels should strengthen their leadership, be bold in revising rules and regulations which do not conform with the implementation of the open-door policy, and actively organize and support the work of opening up to foreign countries.

Doing well the above-mentioned 10 kinds of work will play a very important role in reinvigorating Sichuan's economy. The provincial government is adopting, and will continue to adopt a series of measures for reform, further strengthen leadership, and implement specific policies one after another.

Fellow Deputies:

Building a high degree of socialist spiritual civilization and a high degree of socialist democracy is an important component part of the general task of our party and state in the new period. This is also a basic guarantee for building a high degree of material civilization. While implementing the policy of persisting in reform, being bold in opening up to foreign countries, and actively promoting economic construction in our province, we should grasp well the building of socialist spiritual civilization and socialist democracy, and greatly strengthen ideological and political work. We should provide workers, peasants, intellectuals, cadres and people of the whole province with ideological education in patriotism, collectivism, the economic situation, and the party's line, guiding principles and policies. In so doing, the broad masses of people will enhance their understanding of reform, strengthen their confidence in reform, take an active part in and support reform, clearly understand and handle the relations between the state, the collective and individuals, cultivate a correct attitude toward labor and work, and make greater contributions to reinvigorating the economy of Sichuan, and fulfilling the objectives of "enriching the people" and "elevating the status" of the province. Leading cadres at various levels should enthusiastically support the spirit of the masses of blazing new trails, carefully study the new situation in reform, solve new

problems, sum up new experiences, and become forerunners and promoters of reform. We should extensively and persistently carry out the activities of "five stresses, four beauties and three loves" in cities and villages throughout the province, strictly tackle the problems of filth, disorder, and poor results, provide good services, improve social order, create good environment, promote safety in production, strive to create civilized factories, shops, construction sites, villages and streets, as well as the "five good" families, and actively encourage the activities of building spiritual civilization, which are jointly carried out by the army and civilians, by workers and peasants, and by factories and residential districts. We should seriously and correctly oppose and resist spiritual pollution, and carry out the work of building socialist spiritual civilization on a solid basis. Cultural, art, press, publication, broadcasting, television, sports and public health departments and others should keep abreast of the development of the economic base, carry out their own reform well, and make greater contributions to the building of the two civilizations. With the development of socialist modernization, we should constantly strengthen socialist democracy and legal system, popularize legal education among the great masses of cadres and people, continue to do well in structural reform, and reform of the leadership system of governments at various levels, and strengthen the building of basic-level organs of state power in rural areas. At present, we go about things by mainly relying on policy. In future, we should not only rely on policy, but also establish and perfect the socialist legal system to administer the state. We should continue to heavily, promptly, and severely punish those criminal elements in order to ensure the implementation of the policy of opening up to foreign countries and vitalizing the domestic economy. We should strive to effect a fundamental turn for the better in social order.

Governments at various levels should strengthen their own building, streamline their administrative organizations, transfer their power to lower levels, strictly establish a system of personal responsibility, follow the rules and regulations of awarding and punishing government functionaries, overcome bureaucracy, improve work style, and enhance work efficiency to ensure the successful accomplishment of various tasks.

Fellow Deputies! The work of reinvigorating Sichuan's economy has profoundly reflected the common desire and basic interests of the people of various nationalities throughout the province. It is also a common task of various fronts, the broad masses of people and PLA troops stationed in the province. Let us unite as one, be bold in implementing an open-door policy, reinvigorate our economy, and strive to create a new situation in all fields of work in Sichuan. We should use the new achievement in socialist construction and new success in the building of socialist spiritual civilization to greet the 35th anniversary of the founding of the People's Republic of China.

CSO: 4006/677

PROVINCIAL AFFAIRS

SICHUAN'S 1984 ECONOMIC, SOCIAL DEVELOPMENT PLAN

HK241101 Chengdu SICHUAN RIBAO in Chinese 2 Jul 84 pp 2, 3

["Report on the 1984 Draft Plan for the National Economy and Social Development of Sichuan Province (Excerpts) Delivered by Jiang Mingkuan, Vice Governor and Concurrently Chairman of the Planned Economy Commission of Sichuan Province, at the Second Session of the Sixth Sichuan Provincial People's Congress on 21 June 1984"--passages within slantlines published in boldface]

[Text] Fellow Deputies:

I have been entrusted by the provincial people's government with the task of reporting to the full session on the implementation of the plan for the national economy and social development for 1983 and the draft plan for 1984, which I now submit for your examination.

New Records Were Created and New Achievements Attained in the National Economy and Social Development in 1983

In 1983, there was a smooth development of the national economy and social undertakings throughout the province. An unprecedentedly excellent situation emerged and gratifying achievements were attained on all fronts. We fulfilled or overfulfilled the main targets of the annual plan approved by the first session of the sixth provincial people's congress and in quite a number of cases we topped the best records in our province. The national income reached 34.46 billion yuan, an increase of 8.4 percent over the previous year; the gross value of industrial and agricultural production reached 59.35 billion yuan, an increase of 10.4 percent; the per capita gross value of industrial and agricultural production was 591 yuan, an increase of 9.6 percent; the financial revenue was 4.03 billion yuan, an increase of 13.8 percent. A balance between revenue and expenditure was achieved with a little to spare. The market was brisk in both country and town, the general price level was basically stable, and the people's livelihood improved continuously. New developments and progresses were made in various fields, such as science, technology, education, culture, press, publication, radio, television, public health, physical training, and planned parenthood. The building of socialist spiritual civilization vigorously spurred the development of material civilization.

/1. A bumper harvest in agriculture was reaped for the 7th year running and an all-round development was attained in agriculture, forestry, animal husbandry, sideline occupation, and fisheries./ The gross value of agricultural production reached 25.36 billion yuan, an increase of 7.3 percent over the previous year. Total grain output reached 80.17 billion jin, an increase of 4.3 percent. The output of diversified undertakings increased by 9.3 percent and their proportion in the gross value of agricultural production rose to 52.3 percent. Cotton output reached 107 jin per mu and the total cotton output increased by 30.8 percent. Fruit output increased by 50.1 percent. Of this, the output of oranges and tangerines increased by 81.1 percent. A considerable increase was also registered in the production of nonstaple food, such as pork, beef, mutton, poultry, eggs, milk, and fish. The total output value of enterprises in towns and townships increased by 15.7 percent. The targets for grain, cotton, citrus, meat, aquatic products, and afforestation area set for 1985 in the Sixth 5-Year Plan were attained 2 years ahead of schedule.

/2. Industrial production developed in an all-round way and its economic results improved to a certain extent./ The heavy and light industries, the industry owned by the whole people and the collectives, the central and local industry, and the production of military and civilian supplies developed in an all-round way. The gross value of industrial production reached 34 billion yuan, an increase of 12.8 percent. Of this, the value of light industrial production grew by 9.3 percent and that of heavy industrial production by 16.2 percent. The annual plan for 78 of the 100 key industrial products subject to the examination of the state and the province was overfulfilled. The targets for 31 products, such as coal, natural gas, hydroelectric power, steel products, logs, cement, nitrogenous fertilizer, and phosphate fertilizer, which were set for 1985 in the Sixth 5-Year Plan, were attained 2 years ahead of schedule. The labor productivity of full-time labor in the local state-owned enterprises rose by 10.5 percent over the previous year, their gross output value by 15.2 percent, the total sales by 14.6 percent, the created profit by 21.2 percent, and the tax and profit delivered to the state by 9.2 percent, thus achieving simultaneous development over the whole range. The number of industrial enterprises operating at a loss dropped by 32 percent and the amount of losses by 34 percent. The industrial department saved on or used less energy to the equivalent of 1.36 million tons of standard coal and the energy consumption for every 10,000 yuan of national income dropped from 13.1 tons in the previous year to 12.5 tons in 1983. The departments of railway, highway, water transport, and civil aviation overfulfilled their passenger and cargo transport plans and the freight volume increased by 5.5 percent, thus ensuring the transport of key materials. The volume of business of post and telecommunications increased by 8.9 percent.

/3. The pace of key construction projects was quickened and the proportion of investment became more rational./ Investment in capital construction projects by units under public ownership reached 3 billion yuan, an increase of 18.9 percent. The large- and medium-sized construction projects carried out by the state in our province were carried out in a fairly satisfactory way. The proportion of investment changed considerably. Investment in

productive construction projects accounted for 50.7 percent while that in nonproductive construction projects accounted for 49.3 percent. Of the productive construction projects, investment in the energy industry increased by 46.2 percent and its proportion accounted for 19 percent of the total investment. Investment in technological transformations and measures reached 1.81 billion yuan, an increase of 0.5 percent. Of this, investment in energy-saving measures increased by 12.8 percent and in the improvement of product performance and quality by 52.4 percent. The newly increased production capacity in 1983 included the capacity for rolling 200,000 tons of steel, mining 160,000 tons of coal, exploiting 170 million cubic meters of natural gas, building power stations with an installed capacity of 258,000 kilowatts of electricity, producing 500,000 tons of cement, and building 122 kilometers of electric railway, 522 kilometers of new highways, and reservoirs with a total volume of 310 million cubic meters and an effective irrigated area of 190,000 mu.

/4. Both domestic and foreign trades developed and the market was brisk./ In 1983, the special features of the market in our province were: 1) The volume of retail sales of various commodities increased in an all-round way and there was brisk buying and selling. The purchase of manufactured goods increased by 16 percent and that of farm and sideline products by 7.6 percent. The volume of retail sales of social commodities increased by 9 percent. 2) The volumes of retail sales in various economic sectors increased in an all-round way, with the state-operated commerce growing by 4.4 percent, the collective commerce by 5.8 percent, and the individual commerce by 240 percent. 3) There was an ample supply of commodities in the market. In the past, 16 of the 24 major consumer goods in our province were supplied by ticket in fixed quantities. And now, with the exception of grain sold at state listed price and vegetable oil purchased by ticket, the other major consumer goods have basically been supplied liberally. 4) The general price level in the market was basically stable and the general price level of retailed goods for the whole year rose by only 0.7 percent over the previous year. New progress was made in foreign trade. The total value of commodities purchased for foreign trade increased by 8.3 percent over the previous year and the total export volume handled by our province increased by 28.2 percent. The product mix of export commodities changed and the proportion of exported manufactured goods reached more than 70 percent.

/5. The popularization and application of scientific and technological achievements promoted technological progress./ In agriculture, we instituted the system of technological contract, conducted consultant services, ran technological training courses, and extensively popularized improved varieties and advanced methods of farming. The acreage under hybrid rice accounted for 45 percent of the rice fields. In industry, we approved 90 projects for the utilization of foreign capital and the introduction of foreign technology; increased 1,200 new products or varieties; steadily improved the quality of more than 85 percent of the major products, with the rate of high-quality products reaching 8.9 percent; and succeeded in winning from the state 17 gold and silver medals for our products and from the provincial authorities, 250 titles of high-quality products. Computers and minicomputers began to be applied in energy saving, process control,

automatic inspection and measurement, data processing, and economic management, and gratifying achievements were attained.

/6. Enterprise consolidation was carried out in an all-round way and the operation and management level was raised to a certain extent./ We had carried out consolidation in 1,129 industrial, transport, and construction enterprises and checked and accepted 281 of them by the end of 1983, which accounted for a quarter of the total number of the enterprises being consolidated. A number of commercial and grain enterprises were also consolidated. In the enterprises which were checked and accepted after consolidation, the leading bodies were strengthened, the ideological consciousness of the workers and staff members was raised, production operation and management were improved, and the enterprises assumed a new look.

/7. Education, culture, radio, television, public health, and physical culture continued to develop./ The regular institutes of higher learning recruited 24,500 students, an increase of 21 percent; the secondary vocational schools recruited 36,100 students, an increase of 16.4 percent. Higher education for adults developed vigorously. There were 91 universities of various kinds, universities offering courses by television or through correspondence and periodicals, universities for workers and office staff, and evening universities, with more than 70,000 students attending various courses. Vocational training classes and literacy education were also run extensively. Public health and medical conditions made some improvement and the number of hospital beds increased. We produced eight feature films and installed 235 kilometers of transmission line for broadcasting and television programs by the end of 1983. Sports competitions at and above the county level were held on 1,905 occasions. In various domestic tournaments, our province succeeded in winning 30 gold medals, 33 silver medals, and 32 bronze medals; in international tournaments, our province succeeded in breaking one world record and winning 1 gold medal, 2 silver medals, and 1 bronze medal.

/8. The livelihood of the people improved continually./ The natural population growth rate throughout the province dropped to 6.05 per thousand. Through numerous channels we obtained employment in the cities and towns for 424,000 people, including those waiting for job assignments, other personnel, and the graduating students from universities, colleges, secondary technical schools, and mechanic training schools. According to some investigations conducted on the family income of urban and rural residents, the average per capita income of families of workers and office staff which was available for living expenses rose by 9.2 percent and the per capita net income of the peasants rose by 6.3 percent. Housing with a floor space of 9.52 million square meters was completed in the cities and towns while houses with a floor space of more than 42 million square meters were newly completed in the rural areas. The housing shortage eased up further.

The above-mentioned achievements were attained by the vast numbers of cadres on various fronts and the masses throughout the province through hard work and diligent labor and under the guidance of the 12th CPC National Congress line and the leadership of the CPC Central Committee and the State Council.

Naturally, under such an excellent situation, there were still some difficulties and problems in our economic work. Of these, the most conspicuous problems were that our economic results were not satisfactory enough; that there was a strain on energy and transport and a great shortage of some raw materials; that the peasants in the rural areas still found it difficult to sell their products and to purchase what they needed; and that the reform of the planning system failed to keep abreast of the development of the situation. We are adopting some measures in the plan for this year so that we can gradually solve these problems.

Make Good Arrangements for the 1984 Plan for Economic and Social Development in Line With the Requirements of Overfulfilling the Sixth 5-Year Plan 1 Year Ahead of Schedule

The year 1984 is crucial for the fulfillment and overfulfillment of the Sixth 5-Year Plan. In line with the general objective laid down by the 12th CPC National Congress and the requirements put forward by the provincial CPC committee and government, such as "making the people rich" and "striving for a better position in the country as a whole," the primary tasks of our province in developing the national economy and social undertakings in this fiscal year are: To continue to implement the policy of readjustment, restructuring, consolidation, and improvement; to pay particular attention to two major issues, namely, restructuring the economy and opening to the outside world; to make further efforts to handle various relationships properly; to attain better economic results; to maintain the development of the national economy and social undertakings in a planned way, in proportion, and in a coordinated manner; to maintain a basic balance between credit receipt and payments and between revenues and expenditures; to maintain the basic stability of market price; and to strive to fulfill in 1984 all major targets set for 1985 in the Sixth 5-Year Plan, 1 year ahead of schedule.

The major comprehensive targets set down in the draft 1984 plan for the national economy and social development of our province are as follows: The gross value of industrial and agricultural production will be 52.3 billion yuan, an increase of 5 percent over last year or 1 billion yuan more than the target set for 1985 in the Sixth 5-Year Plan; the gross value of social products will be 76.9 billion yuan, an increase of 5 percent or 5.6 billion yuan more than the target set down in the Sixth 5-Year Plan; the volume of production in the national income will reach 36.3 billion yuan, an increase of 4.6 percent or 1 billion yuan more than the target set down in the Sixth 5-Year Plan; the revenues will reach 4,233 million yuan, an increase of 4.98 percent or 154 million yuan more than the target set down in the Sixth 5-Year Plan. Calculated on the per capita basis, the gross value of social products will reach 760 yuan, an increase of 55 yuan over the target set down in the Sixth 5-Year Plan; the gross value of industrial and agricultural production will reach 616 yuan, an increase of 26 yuan over the target set down in the Sixth 5-Year Plan; and the volume of production in the national income will reach 359 yuan, an increase of 20 yuan over the target set down in the Sixth 5-Year Plan.

The arrangements for some major aspects and trades are as follows:

Agriculture is the foundation of economic development in our province. It is necessary to pay close attention to grain production, to develop diversified undertakings vigorously, and to promote the development of commodity production. The plan envisages that the gross value of agricultural production will reach 26.4 billion yuan, an increase of 4 percent over last year and that the total commodity value of agriculture will increase by 29 percent. The main targets are: 80.24 billion jin of grain, an increase of 0.1 percent over last year or 204 million jin more than the target set down in the Sixth 5-Year Plan; 2.3 million dan of cotton, an increase of 6.9 percent or 0.5 million dan more than the target set down in the Sixth 5-Year Plan; 25.45 million dan of oil-bearing crops, an increase of 12.8 percent or 0.45 million dan more than the target set down in the Sixth 5-Year Plan; 2.25 million tons of pork, beef, and mutton, an increase of 3.1 percent or 50,000 tons more than the target set down in the Sixth 5-Year Plan; and different increases in the output of sugarcane, cured tobacco, jute and bluish dogbane, and aquatic products. It should be explained here that at the beginning of this year, we planned to increase grain production by 2 billion jin but, due to the fact that the statistical base was raised by 2.1 billion jin last year, we have maintained last year's level in the plan. The provincial government has decided that the planned target for grain production set down at the beginning of this year will not be readjusted. However, vigorous efforts should be made to develop spring production in order to produce more grain and to overfulfill the production target by a greater margin.

In industrial production, the plan stresses improvement of product quality, development of variety, reduction of consumption, and attainment of better results. The plan envisages that the gross value of industrial production will reach 35.9 billion yuan, an increase of 5.7 percent over last year or 1.5 billion yuan more than the target set down in the Sixth 5-Year Plan. Of this, light industry will grow by 5 percent and heavy industry will increase by 6.2 percent. In accordance with the requirements of the state plan and the market, we have made arrangements for the output targets of some major products listed in the plan according to different conditions. The outputs of most of these products will reach or surpass the output targets set down in the Sixth 5-Year Plan. Judging from the implementation of the plan in the first 5 months of this year and the trends of development, the outputs of most products are expected to increase by different degrees over last year. We should do our jobs well from various aspects. With the exception of the products whose output is limited by the state, we should vigorously organize the production of those commodities which are marketable and which have good quality. We should make efforts to fulfill the plan for the increased production of coal, electricity, and natural gas and to overfulfill the production targets as much as possible.

With respect to investment in fixed assets, we have, in accordance with the principle of stressing the main points and giving due consideration to ordinary things, concentrated our efforts on speeding up the construction of agriculture, energy, transport, the textile and other light industries, and

the raw material industry and on increasing investment in culture, education, and public health. At the beginning of this year, the state plan fixed the total investment in fixed assets in our province at 1,729 million yuan. Investment in some special items was later added to it so that the current total investment amount has reached 1,975 million yuan. Of this, investment in capital construction accounts for 1,089 million and investment in updating of equipment accounts for 886 million yuan. The total capital construction investment amount includes 220 million yuan of local investment listed in the state budget, 83 million yuan for projects under ministerial consultation, funds raised by the local authorities at various levels, and flexible investment by the provincial authorities. The breakdown of the investment funds among some major trades is as follows: Agriculture, forestry, and water conservancy account for 12.1 percent of the local capital construction investment, with the budgetary projects accounting for 43.1 percent of the total budgetary investment amount; energy and transport account for 19.1 percent of the total amount; the textile and other light industries account for 9.1 percent of the total investment; the raw material industry accounts for 9.7 percent of the total investment amount; culture, education, and public health account for 10.7 percent of the total amount, with the budgetary projects accounting for 20.4 percent of the total budgetary investment amount. In breaking down the capital construction investment, we have tried as far as possible to consider the needs of various departments, such as agriculture, energy, communications and transport, textile and other light industries, culture, education, and public health, particularly the breakdown of budgetary investment, and give considerable consideration to various departments which have limited ability in raising funds, such as agriculture, forestry, water conservancy, culture, and education. In spite of this, there is still a big gap between what we have allocated and the needs of various departments. Investment in updating equipment will be carried out by the localities at different levels. With the exception of Chongqing city which institutes separate listings in the provincial budget and the various prefectures and departments which make arrangements by various departments and localities at different levels, the provincial authorities will concentrate on 575 projects with a total investment of 379 million yuan. The funds will be concentrated on the development of variety and the improvement of quality in the textile and other industries and the raw material industry; the technological transformation of highway and inland water transport and the renovation of vehicles and ships; the development of variety and the improvement of product technology grade in the machine-building and electronics industries; and energy-saving measures. In 1984, the newly added production capacity arranged under the 1984 plan for fixed assets investment is as follows: the capacity for printing and dyeing 20 million meters of cloth, the production of 360 silk spinning and weaving machines, the addition of 9,600 jute spindles, 104 jute spinning and weaving machines, 100,000 radio-recorders, and 50,000 television sets, the capacity for extracting 90,000 tons of coal, the installation of power generators with an installed capacity of 55,000 kilowatts, the capacity for producing 15,000 tons of sodium carbonate, 10,000 tons of caustic soda, (?4,300) tons of chemical fertilizer (converted into pure chemical fertilizer), 260,000 tons of cement, 90,000 tons of salt in a vacuum condition, and a certain quantity of mineral brine to the equivalent

of 100,000 tons of salt, and the capacity for irrigating 230,000 mu of land.

In order to suit the needs of invigorating the urban economy and developing rural commodity production, it is necessary to make further efforts to clear circulation channels, and to shift the focal point of our work to the expansion of sales. The plan envisages that the turnover of social commodities will increase by 6.7 percent over last year, that the purchase of farm and sideline products will increase by 3.5 percent, and that the purchase of manufactured goods will increase by 5.6 percent. In this way, there will be an approximate balance in terms of total quantity between purchasing power and commodity supply. However, the commodity structure fails to suit itself completely to market demands. In the course of executing the plan, the various departments, such as industry, agriculture and commerce, should conscientiously conduct market investigation, strive to develop variety, increase designs and colors, and try as far as possible to produce more goods which are readily marketable in order to adapt themselves to the needs of various quarters.

We should expand import and export trade and vigorously introduce capital and technology from foreign countries in order to promote the economic development of our province. Because the state restricts the export of products which cost a lot when converted into foreign exchange and which incur great losses, the plan envisages that the total purchase amount of foreign trade commodities will be lower than the practical level of last year. We should keep abreast of the needs of the international market and their changes, vigorously expand the export of products whose production costs are low when converted into foreign exchange and which are readily marketable, and strive to overfulfill the export quotas and to reach or surpass the practical level of last year. We have examined and approved 100 projects for the utilization of foreign funds and the introduction of foreign technology centering on the improvement of product quality, the development of technologies, and the filling of gaps in technology and great efforts should be made to increase the number of projects to 120. These projects should be centered on technological transformation and the development of new products in such industries as spinning and weaving, machine-building, electronics, silk, and plastics. The completion of these projects will give some impetus to the technological progress in our province.

Developing scientific technology and relying on technological progress to develop production are an important component of the plan. In 1984, the development of science and technology will be centered on the development and application of computers and microprocessors, seed selection, fertilizer, the development and economization of energy, the modernization of communications, postal services, and telecommunications technology, and family planning techniques. We have arranged 142 special topics, including the trial development of 4 new products, 13 intermediate experiments, and 125 major scientific research projects. We have arranged 27 projects for the popularization of new technologies, including 12 agricultural projects, 14 industrial projects, and 1 commercial project. We have arranged

800-1,000 projects for the development of new products, 79 of which are key projects of the province. In the development of new products, we have paid attention to the formation of a complete network because this is conducive to the technological upgrading of the ultimate products.

We should speed up the training of talented persons, continue to improve the conditions of various types of schools, and strive to increase the enrollment quotas. We should also adopt numerous forms to run schools, to develop adult education, and to encourage people to become useful persons through self-study. The plan envisages that the regular institutes of higher learning will enroll 12.5 percent more students this year than last year, that the number of secondary technical schools will grow by 9.1 percent, and that the number of students enrolled in regular senior and junior middle schools will also grow. Due to a decrease in the number of school-age children, the number of pupils enrolled in primary schools will drop by 19.2 percent.

All economic work departments and enterprises should attach more importance to economic results and to placing the major targets of economic results in the plan for assessment. The 1984 plan envisages that the social labor productivity will grow by 1.9 percent, that the comprehensive energy consumption for every 10,000 yuan of national income will drop to 12 tons, that the costs for comparable products in local state-owned industrial enterprises will drop by 2 percent and the profit realized from every 100 yuan of capital will grow by 4.3 percent, that the agricultural labor productivity will grow by 2.2 percent, that the profit realized from every 100 yuan of capital in state commercial enterprises will grow by 4 percent, that the annual losses of industrial enterprises will drop by 45 percent, that the losses of commercial enterprises will drop by 11 percent, that the losses of grain enterprises will drop by 10 percent, and that the rate of utility of local fixed assets will rise to 85 percent.

On the basis of economic development, the people's livelihood will continue to improve. In 1984, we will continue to implement the policy of opening all avenues of employment. We plan to find employment for 300,000 people who are waiting for job assignments in cities and towns. The workers and staff members employed by local units under public ownership will increase by 2.4 percent over last year and the total salary of the workers and staff members will increase by 1.6 percent. The per capita income of the peasants will increase by about 15 yuan. The hospitals will have an additional 4,000 hospital beds and 11,000 professional medical personnel. Living quarters with a floor space of 5 million square meters will be added in the cities and towns, thus making up a total floor space of 32.83 million square meters in 4 years, which is 2.83 million square meters more than the target set down in the Sixth 5-Year Plan.

The 1984 draft plan for the national economy and social development, which has been formulated in light of the actual conditions in our province, is both positive and feasible. Naturally, the plan has also some shortcomings. There is a strain in the supply of energy and some raw materials and there is a gap between the shipping potentials and the shipping volume in the

Chang Jiang. In particular, with the development of the economy, the problems of impeded circulation and the difficulties of the peasants in selling their products and buying what they need will become fairly conspicuous. In our future work, we should continue to adopt feasible measures to solve these problems gradually.

Quicken the Pace of Restructuring the Economy, Attain Better Economic Results, and Strive To Fulfill the Plan for 1984 in an All-Round Way

Judging from the implementation of the plan in the first 5 months of this year, the development of the national economy and social undertakings has continuously maintained its fine momentum. The gross value of industrial production rose by 11.2 percent over that in the same period of last year. Of this, the gross value of light industrial production rose by 12.2 percent and that of heavy industrial production by 10.4 percent. The sales income of the local state-operated industry listed in the budget rose by 12.7 percent, the profit realized rose by 20.3 percent, and the profit and income tax turned over to the state rose by 32.5 percent, all of which exceeded the growth rate of the total output value. The turnover of social commodities rose by 7.6 percent. The revenues rose by 20.3 percent. In order to ensure the overfulfillment of this year's plan, we should make further efforts to emancipate the mind, to restructure the economy, to attain better economic results in various fields, such as production, construction, and circulation, and to pay close attention to the following things:

/1. Reform the planning system, transfer management power to a lower level, and thus create conditions for enlivening the economy further./

The existing planning system has failed to a fairly large extent to suit the economic development and should be reformed. At present, we should concentrate on properly transferring to a lower level the power to formulate production plans, to distribute goods and materials, to carry out capital construction projects, and to utilize foreign funds, to strengthen the overall balance of the macroeconomy, and make further efforts to invigorate, to speed up, and to develop the economy.

Relaxing the management power over industrial and agricultural production plans. In line with the principle of reducing the scope of mandatory targets and expanding the scope of guidance targets and of regulation by market mechanism, the provincial planned economy committee has been instructed to formulate as soon as possible a new list of products managed under different grades. In the future, the provincial planned economy committee will concentrate on managing the production, purchase, and allocation of those important products vital to the provincial economic situation as a whole.

Properly reducing the variety of goods and materials subject to unified distribution and expanding the management power of the goods and materials departments. The provincial planned economy committee will concentrate on managing the annual distribution plan of those goods and materials under unified management, such as steel products, pig iron, nonferrous metal,

collection of scrap iron and steel, logs, cement, sulphuric acid, caustic soda, sodium carbonate, rubber, tires, fire-resistant products, and cars. In principle, these goods and materials should be distributed once and for all without leaving some of them for emergency use. The problems to be dealt with in the course of implementation can be solved by the goods and materials departments by using the quotas under their control. The provincial goods and materials bureau is responsible for the supply and management of goods and materials while the provincial forestry department is responsible for the supply and management of logs.

Administering classified management over capital construction, technological transformation, and utilization of foreign funds and properly expanding the management power of localities and departments. With respect to construction projects carried out with the use of local investment listed in the state budget, such as small-scale water conservancy projects, regular education, culture, public health, and living quarters for workers and staff members in cities and towns, the provincial planned economy committee will only assign the total investment amount and the departments and localities to which the projects belong will make arrangements for specific projects. Beginning in 1985, with the exception of a portion of the quotas reserved for enterprises under the provincial authorities and the provincial projects for complete sets of equipment, the rest of the intermediate- and short-term bank credits for equipment and technological measures will be distributed to the departments and localities at different levels. With respect to expanding the power of localities and departments to examine and approve construction projects, Chengdu city enjoys the same power of examination and approval as a province, and Zigong, Deyang, Luzhou, and Dukou cities enjoy a greater power of examination and approval than the other prefectures. With respect to projects involving less than \$1 million in the utilization of foreign capital and the import of technology, the localities or departments to which the projects belong may examine and approve them by themselves. The projects involving economic and technological cooperation with other provinces and regions are to be managed according to the power of examining and approving capital construction and technological transformation projects with self-raised funds. The management of construction projects conducted in areas inhabited by minority nationalities should be relaxed further.

Energy supplies will continue to be managed at both the provincial and prefectural levels. Natural gas and electricity should be utilized according to the allocated amounts. The deficiencies will not be made up if the quotas are exceeded and any savings belong to the users. After fulfilling the production plans and the allocated quotas assigned by the provincial authorities, the prefectures and the production enterprises can sell the portion over and above the production quotas. The coal produced by the prefectural and county coal mines (including the collective coalpits) along the Xiangfan-Chongqing railway, in Yibing Prefecture, and along the Chang Jiang may be sold outside the province on condition that the allocated tasks and the supplies within the localities have been ensured.

With the exception of goods and materials in large quantities, such as coal, iron ore, pig iron, logs, cement, nitrogenous fertilizer, phosphate

fertilizer, crude salt, and phosphate rock, whose rational delivery should be stipulated by the provincial authorities, prefectures, departments, and enterprises may arrange with the transportation departments through consultation the delivery of other goods and materials by railway.

The economic management power of Chongqing city should be determined by the city itself in accordance with the relevant stipulations by the CPC Central Committee and the State Council on the trial reform of the comprehensive system.

/2. Relax the policies and speed up the development of urban and rural collective economy./

The governments at all levels should attach importance to the development of the collective economy in town and country. Where conditions permit, particularly where the development of enterprises in towns and townships is slow, we should set up vigorously and in a planned way enterprises in towns and townships so long as the raw materials are in ample supply, the products are marketable, and there are profits to be made. Large- and medium-sized cities should move some products by state-operated industry to enterprises in suburban towns and townships and encourage them to produce more accessories for large-scale industries. In setting up enterprises in towns and townships, we may either adopt the method of joint ventures by the collectives or allow the peasants, workers, and office staff to buy shares with guaranteed interest and bonuses. We can also form joint associations by inviting state enterprises, enterprises in towns and townships, the supply and marketing cooperatives, and the "two households" in the rural areas to buy shares and to divide the profit according to the shares held. It is necessary for the collective enterprises to carry out consolidation well, to institute and to improve various forms of the system of contracted responsibilities for operation and management. The contractors should be well chosen, the targets for the contract should be appropriate, and the distribution of interests should be rational. The departments concerned should give the green light to the development of the collective economy in town and country and ensure the fulfillment of various policies on supporting the collective economy which have been decided on by the provincial government. The financial departments at all levels should set up development funds to support the development of the collective economy in town and country. It is necessary to integrate the development of enterprises in towns and townships with the construction of small market towns.

/3. Reform the circulation system, unclog circulation channels, and vigorously promote the development of commodity production./

In reforming the circulation system, we should concentrate on reforming the commercial wholesale system and the supply and marketing cooperative system. We should vigorously popularize the experiences of Chongqing and Chengdu cities, set up various trade centers, transfer the second-tier wholesale stations to a lower level, institute an open, multichannel system with fewer intermediate links, and gradually form a criss-cross circulation network extending to all parts of the province and ensuring the smooth

flow of goods between town and country and the exchange of goods between different regions.

The reform of the supply and marketing cooperatives should enable the grassroots cooperatives to have genuine decisionmaking power in manpower, financial and material resources, and the production, supply, and marketing of goods. The combined cooperatives at the provincial, city, and county levels should serve the grassroots cooperatives. In the course of reform, we should pay attention to the work of transferring the second-tier wholesale stations to a lower level and of linking up production and sales and try to prevent any dislocations. We should continue to do a good job of purchasing farm and sideline products and of delivering manufactured goods to the rural areas and should stress the sales of manufactured goods in the rural areas. It is necessary to bring into play the role of the collective and individual commerce. They should be treated without discrimination in the distribution of sources of goods. The restriction placed over the collective commerce with regard to stock replenishment and the scope of operation should be abolished and transportation of goods for sale over long distances is permissible. We should pay attention to solving the contradictions between industry and commerce and between agriculture and commerce and strive to develop the various forms of multilevel joint industry-commerce, or agriculture-commerce, or agriculture-industry-commerce associations. While basing ourselves on the sales within the province, we should vigorously open up markets in other provinces and regions. We should concentrate on the sales of commodities in large quantities, such as grain, pork, tea, oranges and tangerines, and hot pickled mustard tuber. It is necessary to grant more management power to outlying areas and encourage them to develop trade with other provinces and regions according to the natural flow of commodities.

/4. Consolidate enterprises in an all-round way with the spirit of reform and firmly grasp the work of reducing deficits and increasing profits./

This year is most crucial to the fulfillment of the 3-year plan for enterprise consolidation. We should quicken the pace of consolidating state enterprises on the basis of guaranteeing its quality. The key to this lies in doing a good job of the consolidation and building of the enterprise leading bodies. We should be resolved to promote reformers who meet the "four-transformation" requirements for cadres to the leading posts and rely on them to carry out all kinds of consolidation work. Further efforts should be made to implement and improve the economic responsibility system within the enterprises, to smash the practice of egalitarianism in distribution, to arouse the initiative of the workers and staff members, to invigorate the enterprises, and to try every possible means to attain better economic results. We should regard the work of reducing deficits and increasing profits as an important component in enterprise consolidation and put the stress on large enterprises whose profit is more than 5 million yuan or whose deficit is more than 1 million yuan. The enterprises operating at a loss or earning little profit should continue to contract for the elimination of losses and the increase of profit and strive to fulfill the tasks of reducing deficits and increasing profits as assigned by the provincial

authorities. We should reorganize and strengthen various kinds of management work and concentrate our efforts on instituting and improving various systems, such as management over fixed quotas, information, and data, technological standards, calculation, survey, basic education, and management rules and regulations.

/5. Give full scope to the role of scientists and technicians and promote technological progress./

At present, we are confronted with the serious shortage of talented construction personnel on the one hand and an excess and waste of talented persons on the other. We should reform the management system of scientists, technicians, and professional cadres. As a first step, we should adopt numerous flexible measures to promote the rational flow of talented persons so that they can apply what they have learned and use their ability to the full. Production units should be allowed to engage scientists and technicians from scientific research and military industry units as advisers: the scientists and technicians from scientific research units, institutes of higher learning, and military industry units should be allowed to sign scientific and technological contracts with production units and to engage in technological services, such as technological and engineering design, in their spare time in order to make some of them prosperous before others. It is necessary to organize the scientists and technicians concerned to cooperate in tackling some major scientific and technological problems. It is necessary to popularize the experience of some scientific research units in instituting the compensatory contract system with other units and the system of contracted responsibilities on a topical basis within the units, to set up and develop various forms of associations between scientific research units and production units, to set up technological development, intellectual development, and technological service bodies, and promote the application of scientific research achievements in production through technological fairs. Efforts should be made to apply the technology of military industry in civilian production with compensation and to develop and apply computers and microprocessors.

/6. Boldly open to the outside world and vigorously develop economic and technological coordination and cooperation with other provinces and regions and with foreign countries./

At present, the State Council has decided to open 14 more cities along the coast and in Hainan Island. The cooperation among five parties in four provinces and regions, including Sichuan and Chongqing city, has been started. We should firmly seize this opportune moment to import foreign capital, technology, and talented persons and to open up a new situation in opening to the outside world. In carrying out economic and technological cooperation with foreign countries, we should concentrate on exploiting resources, improving finishing technologies in silk dyeing, developing new products, adopting new technologies, and organizing labor service abroad. It is necessary to use foreign capital and to import foreign technology by various channels and methods. In addition to the continued direct use of foreign capital and the foreign exchange credits granted by the Bank of

China, it is also necessary to draw foreign capital and technology by establishing contacts with the coastal cities open to the outside world and the special economic zones and by adopting various methods, such as strengthening economic exchanges and cooperation with other provinces and regions, promoting economic ties with foreign countries, carrying out compensation trade, and establishing joint ventures with Chinese and foreign capital and enterprises with exclusive foreign capital. It is necessary to contract for construction projects in foreign countries in a bold way and to expand labor export. Recently, the provincial government attained notable results by inviting more than 200 representatives from 27 provinces, municipalities, and regions to talk about economic and technological cooperation. We should further expand the scope of cooperation on this basis and carry out economic and technological cooperation in a more satisfactory manner. The key to carrying out economic and technological cooperation well lies in the need to emancipate the mind, to broaden our vision, to act boldly, to know the real situation about ourselves and others, to strengthen various connections, and to make various preparations. On the basis of mutual benefit, it is necessary to carry out this work in a down-to-earth manner by implementing the policy of giving preferential treatment, adopting more attractive measures, and training a number of people who are experts and who are good at conducting negotiations.

Fellow deputies! The current situation is excellent. In particular, the party consolidation and the structural reform of the economy currently under way are vigorously promoting the development of the economy. We should conscientiously implement the principles, policies, and various reform measures laid down by the CPC Central Committee and the State Council, further arouse the initiative of various quarters, and strive to overfulfill the 1984 plan for the national economy and social development in an all-round way.

CSO: 4006/677

PROVINCIAL AFFAIRS

SICHUAN RIBAO CARRIES 1983 ACCOUNTS, 1984 BUDGET

HK200910 Chengdu SICHUAN RIBAO in Chinese 2 Jul 84 p 3

["Report on the 1983 Final Accounts and the 1984 Draft Budget of Sichuan Province (Excerpts) Delivered by Duan Bingren [3008 4426 0088], Director of the Financial Department of Sichuan Province, at Second Session of the Sixth Sichuan Provincial People's Congress on 21 June 1984"--passages within slantlines published in boldface]

[Text] Fellow Deputies:

Entrusted by the provincial people's government, I now submit a report on the 1983 provincial final accounts and 1984 budget for examination and approval by the current session.

The Final Provincial Accounts for 1983

In 1983, under the leadership of the CPC and the government, the people of all nationalities throughout the province intensively implemented the numerous principles and policies formulated by the CPC Central Committee and the State Council, and fully inspired with enthusiasm, they continued to advance while constantly opening up new prospects in work. Heartening progress was made on all fronts and the tasks set by the First Session of the Sixth Provincial People's Congress were completed. Successive bumper harvests were reaped in agriculture, the tasks for industrial production were overfulfilled, the collective economy both in the cities and the countryside developed vigorously, the market became more brisk, there were new advances in culture, education, and public health, and a number of successes were scored in science and technology, which were geared to economic development. The principle of taking the attainment of better economic results as the core in economic work was maintained and there were fairly big increases in the industrial output value, the profits created, and the taxes and profits handed over to the state. The provincial revenues topped 4 billion yuan, an all-time high, and its expenditures increased by a fairly big margin, and the needs of production and construction and of the development of various undertakings were basically met. The result of the implementation of the budget showed that a balance was achieved between revenue and expenditure with a small surplus of money in hand.

As approved by the First Session of the Sixth Provincial People's Congress, in 1983 provincial budgetary revenues totaled 3,700 million yuan. In the course of the implementation of the budget, after the increase in revenue from additional pollution-removing charges and the decrease in revenue which resulted from the upgrading of enterprises in affiliation terms, and the adjustment of prices for chemical fibers, cotton cloth, and cotton were balanced, the budgetary revenues were adjusted to 3,705.03 million yuan. The real revenues amounted to 4,032.06 million yuan, constituting 108.83 percent of the budgeted figure and surpassing the budgeted figure by 327.03 million yuan or an increase of 13.84 percent over the previous year. Of this, the revenue from industry and commerce tax amounted to 3,130.22 million yuan or 108.29 percent of the budgeted figure and the revenue from enterprises totaled 404.41 million yuan or 104.07 percent of the budgeted figure.

As approved by the First Session of the Sixth People's Congress, the total expenditure in the 1983 provincial budget amounted to 3,093.42 million yuan. In the course of implementing the budget, coupling the additional state allocation of special funds with the expenditure covered by the revenue from pollution-removing charges, the expenditure covered by the additional funds left over from the previous year, and the expenditure covered by using local reserve funds, this figure was eventually adjusted to 4,338.3 million yuan. The real expenditures in 1983 amounted to 3,664.47 million yuan, constituting 84.47 percent of the adjusted budgeted figure or 16.43 percent higher than the 1982 figure. The funds that could continue to be used next year in accordance with stipulations amounted to 474.39 million yuan or a surplus of 199.44 million yuan.

In the past year, to carry out the national economic plan and the budget, all localities and departments have done work mainly in the following areas:

1. /Taken vigorous measures to promote enterprises to turn losses into profits and to attain better economic results./

In taking the turning of losses into profits as the breakthrough in attaining better economic results as required by the state, the province has adopted a series of policies and measures: It has introduced multiform economic responsibility systems; integrated enterprise consolidation with the drive to turn losses into profits and made unified arrangements and assessment methods for this purpose; made an analysis and study of every industrial enterprise which has a deficit of over 1 million yuan and a profit of 5 million yuan and more to ascertain the measures to turn losses into profits; and maintained organized production by giving top priority to the attainment of better economic results, and devoted a lot of energy and effort to ensuring safety in production, striving for high quality and output, economizing on energy, reducing consumption, and producing marketable goods. In 1983, the output value of local industrial production increased by 15.24 percent over the previous year, the profits created rose up 21.22 percent, the cost of comparable products decreased by 0.37 percent, the number of enterprises operating at a loss decreased by 32.07 percent, and

the amount of losses was 34 percent less than in the previous year. Through the efforts to turn losses into profits, to boost profits, and to put financial subsidies under control, there has been an appropriate increase in revenue and a fairly big increase in the amount of profits retained by enterprises through sharing profits and the portion of losses saved.

2. /Vigorously supported industrial technical transformation and helped sustain the development of rural commodity production./

The allocation of funds by the state and the province for technical transformation last year showed an increase of 56 percent over the previous year. Financed by this financial allocation plus bank loans, and the funds officially owned by enterprises, some 1,200 technical transformation projects using at least 50,000 yuan of investment each were completed. The newly added fixed assets totaled 347 million yuan. The production capacity was thus expanded and technological progress accelerated. In order to help sustain the development of rural commodity production, aside from the budgetary funds, an additional 15 million yuan was added to the original circulating fund totaling over 140 million yuan for supporting agriculture, over which control should be tightened. This fund was earmarked to help develop the commodity production bases in rural areas and the economies of mountainous counties. This arrangement thus expanded a number of milk, fish, fruit, and tea production bases, helped mountainous counties around the Sichuan Basin develop production, and played a positive role in promoting the development of the rural economy.

3. /Vigorously supported the development of cultural, educational, and public health undertakings and continued to improve the people's livelihood./

Compared with the previous year, there was a fairly big increase in the expenditure on culture, education, public health, and science in 1983. The floor space of new school buildings constructed throughout the year amounted to 1.51 million square meters and that of rebuilt school buildings which were formerly in a poor condition totaled 2.34 million square meters. An additional 1.53 million sets of school desks and benches were made available. One hundred and thirty-five centers for guiding family planning were set up and the number of new beds in the public health departments at or above the county level was 1,600 and more and that of the newly added health and medical equipment totaled 2,881 pieces (sets). Some 19 theaters were built or rebuilt. There were more than 1,300 cultural centers in various districts and townships. From the fourth quarter of last year, work began on readjusting the wages of the staff and workers in state-run enterprises. The floor space of houses built by funds through various channels for staff and workers amounted to 7.58 million square meters.

4. /Reformed the financial control system and initially readjusted the relationship in financial distribution./

Beginning in the past year, separate listing for Chongqing city in the plans were instituted, thus expanding its financial powers, and the other cities

implemented a financial system of "apportioning responsibilities for revenue and expenditure and contracting them to units level after level." In this way, a better combination of responsibility, authority, and benefit has been achieved, the enthusiasm of all sides concerned has been aroused, the revenues of various localities have shown big increases, and nine counties have put an end to the situation in which their revenues and expenditures were unbalanced. Beginning in June last year, the first step in the reform of replacing profit delivery with tax payments was taken in state-run enterprises, thus resolving the relationship in financial distribution between the state and the enterprises in a fairly satisfactory way.

5. /Tightened financial and tax control and rigorously enforced discipline in the financial and economic fields./

In accordance with the state stipulations on concentrating funds on key development projects, the province has successfully completed the tasks of collecting funds for the construction of key energy and transport projects, distributing state treasury bonds, and levying building tax, thus supporting key state development projects. According to the unified arrangements of the State Council, a general inspection on taxation policies and financial affairs has been conducted throughout the province, taxation control has been tightened, cases of evasion of taxes and retention of funds which ought to be turned over to the state have been sorted out and handled, and every form of tax evasion has thus been checked in the financial sector. Through inspection, revenues increased by more than 70 million yuan. This is not only conducive to achieving a balance between revenue and expenditure but also plays a positive role in bringing about a turn for the better in the standards of social conduct.

Generally speaking, the implementation of the 1983 provincial budget has resulted in the expansion of production and construction of various undertakings and in the appropriate improvement in the living standards of the people. However, some problems remain unsolved. They are mainly that the economic results in such areas as production, construction, and circulation are not satisfactory, some economic targets are under the national average level, the result of reducing costs and helping enterprises turn losses into profits is far from meeting the planned requirements, waste in the use of funds remains fairly serious, and some aspects of the financial and tax systems are still not suited to the new situation in economic development. In future work, all these should be overcome and improved conscientiously.

The Draft Provincial Budget for 1984

In accordance with the task set by the 12th CPC National Congress to bring about a fundamental turn for the better in the financial and economic situation, and with the requirements of the Sixth 5-Year Plan, in 1984 we should continue to implement the principle of readjustment, restructuring, consolidation, and improvement, boost production, stimulate commodity circulation, accelerate technological progress, attain better economic results, and ensure a steady and sustained increase in revenues; we should make overall plans by taking all factors into consideration, stress focal points in work, make

rational arrangements for various expenditures, increase the returns from the use of funds, promote the coordinated development of various production and construction undertakings and the continued improvement in the living standards of the people; and we should further reform the financial and tax systems, strengthen financial control and supervision, strive to boost revenue and reduce expenditure, and ensure a balance between revenue and expenditure.

In accordance with these principles and the provisions of the national economic plan, the provincial 1984 budget sets total revenue at 4,233 million yuan, 200.94 million yuan more than the figure actually attained in the previous year or up 4.98 percent. The arrangements for various revenues are as follows:

1. The revenue from enterprises is 456.24 million yuan, or 12.82 percent higher than the figure actually attained in the previous year.
2. The revenue from industry and commerce tax is 3,263 million yuan or an increase of 4.24 percent over the figure actually attained in the previous year.
3. The revenue from salt tax is 88 million yuan, or 9.18 percent less than the figure actually attained in the previous year. This is calculated on the basis of the sales volume of raw salt.
4. The revenue from agricultural tax is 371.95 million yuan.
5. The revenue from other sources is 53.81 million yuan.

In accordance with provisions of the financial system, the 1984 provincial budget sets total expenditure at 3,550.81 million yuan or 10.94 percent higher than the previous year, calculated in terms of comparable items. The arrangements for various main expenditures are as follows:

1. Financial allocation on capital construction is 285.05 million yuan, or up 2.95 percent over the previous year.
2. Funds to tap the potential of existing enterprises and to finance their technical transformation amount to 45.88 million yuan or an increase of 35.86 percent over the previous year.
3. Expenses for simple construction are set at 30.4 million yuan or a 45.73 percent increase over the previous year.
4. The three types of expenses for science and technology are set at 30.82 million yuan, 34.7 percent more than the previous year.
5. Funds earmarked to support agricultural production and funds for operating various agricultural undertakings total 406.74 million yuan or 8.15 percent higher than the previous year.

6. Maintenance cost of cities is 172.45 million yuan, or an increase of 5.27 percent over the previous year.
7. Expenses for culture, education, public health, and science total 1,394.4 million yuan, up 11.73 percent over the previous year. This includes 846.95 million yuan for education, up 10.17 percent; 281.5 million yuan for public health, up 9.33 percent; and 22.49 million yuan for science, up 24.74 percent.
8. The social relief fund is 114.8 million yuan, up 5.7 percent.
9. Costs of administration are set at 556.81 million yuan, up 8.16 percent. This results mainly from the increased expenditures needed for making arrangements for the personnel of newly established township governments, graduates from universities, colleges, and secondary technical schools, and cadres transferred to other work.
10. Compared with the previous year, operating expenses for such sectors as industry, communications, commerce, and militia work show increases in varying degrees.
11. Total reserve fund is 128.6 million yuan.

Compared with the previous year, there are some increases in the revenue and expenditure of the province in its 1984 budget. Revenues arranged according to the national economic plan, and by taking the policy factors which might reduce revenues into account and leaving some margin. Judging from the situation in the province's economic development, the targets of budgetary revenues can be fulfilled or overfulfilled if some efforts are exerted. As far as expenditure is concerned, the province has adhered to the principles of doing things according to one's ability and of stressing focal points and giving due consideration to ordinary issues, has significantly increased the expenses on culture, education, public health, and science, the funds to tap the potential of existing enterprises and to finance their technical transformation, the three kinds of expenses on science and technology, and the funds earmarked to be used in agricultural undertakings, and has made appropriate arrangements for the expenditures on other items by taking the needs of all sides concerned into consideration.

Quicken Reform, Invigorate the Economy, and Struggle for the Continued Improvement of the Provincial Financial Situation

The year 1984 is an important year when we strive to bring about a continued improvement in the provincial financial and economic situation. We should continue to emancipate our minds, persist in conducting reforms, be bold in opening to the outside world and invigorating the economy, attain better economic results in an overall way, vigorously boost revenue, actively support key development projects, promote the development of all undertakings, and make sustained efforts to push ahead with the economic construction and social development of our province.

1. /Take a further step to reform the financial and tax systems./

In order to better arouse the enthusiasm of all localities and to expedite the development of the national economy, from this year onward, the revenues of all cities and prefectures should increase at a rate of around 7.2 percent a year and, in accordance with the ratios agreed upon in their former contracts, the provincial and local authorities will share the increased revenues. The portion of revenues in excess of the quotas fixed at the rate of 7.2 percent should all go to the local authorities. All cities, prefectures, and autonomous prefectures should continue to improve the financial system of counties in the light of actual local conditions. It is necessary to spread the method of "contracting financial subsidies to units concerned and putting an end, within a stated time, to the situation in which revenue fails to cover expenditure," a method which Chengdu city is practicing in Pujiang County. Meanwhile, it is also necessary to effectively manage and use the "fund earmarked to support mountainous counties in developing their economies" and the "fund earmarked to support the development of under-developed areas" and change the backward features of the "former revolutionary base areas, border areas, nationality areas, and poor areas" in the province as quickly as possible. With the rapid growth of the rural economy and the establishment of township governments, it is imperative to set up a financial system at the township level and appropriate budget and final accounts systems and to establish financial organs at the township level with full-time financial personnel so as to promptly collect rural revenues in full and to strengthen supervision and control over the use of various rural funds. It is necessary to further expand the decisionmaking power of enterprises, mobilize the enthusiasm of enterprises and their staff and workers, and operate enterprises in a lively manner. It is also necessary to do a serious job in doing the preparatory work of the second step in the reform of replacing profit delivery with tax payments and to implement it beginning in the last quarter of this year in accordance with unified state tax regulations.

2. /Energetically promote the reorganization and amalgamation of enterprises and technological progress./

Promoting the reorganization and amalgamation of enterprises and technological progress in accordance with the internal relations of commodity production and commodity exchange is an important way to invigorate the economy and expand production. Efforts should be made to enlarge the scope of experiment to collect value-added tax. After being approved by the city and prefectural authorities, all enterprises producing household machines and electrical machinery and apparatus, whose industry and commerce tax rate is 5 percent, are allowed to practice value-added tax on a trial basis. The provincial financial departments will continue to allocate a fund of 20 million yuan to replenish the "fund earmarked to tap the potential of existing local enterprises and to finance their technical transformation" and selectively support some local state-run enterprises in carrying out technical transformation. With a view to strengthening the intermediate experiment of converting scientific and technological findings to production and all experiments in industrial production, the province has decided to set

up the "Sichuan Provincial Science and Technology Development Fund" so as to promote the prompt popularization and application of scientific and technological achievements. The enterprises that use bank loans to carry out technical transformation but find it difficult to calculate independently the profits resulting from such an action, are allowed to repay their borrowed loans with their newly created profits so long as there is an increase in the profits which they turn over to the state. In order to encourage enterprises to conduct economic and technological cooperation with other provinces and cities, all enterprises operated jointly with other provinces are allowed to repay the investment of other provinces with their realized profits before they hand over income tax or profits to the state and any part of an enterprise operated jointly by units in the province is allowed to repay the bank loans it borrowed with the portion of profits it shared before it hands over income tax or profits to the state.

3. /Energetically help sustain the development of the urban and rural collective economy./

It is necessary to conscientiously implement the various policies and measures to help sustain the collective economy. After paying taxes to the state as required by state stipulations, collective enterprises in cities and towns are authorized to carry out various forms of the system of distribution according to work done within their internal departments and are allowed to retain profits for overhauling funds at a rate equal to 40 percent of the depreciation rate practiced in enterprises under the system of ownership by the whole people. Apart from those which produce products to which no tax exemption is to be given as explicitly stipulated by the state, all newly run town and township enterprises will be exempted from taxation within a certain period of time. Some town and township enterprises which offer service to production and the people's livelihood and find it difficult to practice the 8-tier progressive tax on the portion of profits in excess of fixed quotas will be given tax reduction or tax exemption according to state stipulations. The processing units of town and township enterprises and grassroots supply and marketing cooperatives are allowed to repay their bank loans in the same way as collective enterprises in cities and towns do. As for rural inhabitants who engage in processing farm produce and sideline products and keeping grain or goods in their own storehouses for the state, operate hatcheries and breeding centers, run small power stations and fodder plants and who go to small market towns with their own grain ration to engage in handicrafts, repair service, service trades, and the transportation of farm produce and sideline products for sale, they will be given some tax reduction or tax exemption after being approved.

4. /Continue to stimulate the development of culture, education, science, and public health./

According to the 1984 budget, there will be a fairly big increase in the operating expenses for such areas as culture, education, science, and public health. In view of the fact that there is still a strain on the funds for education, in the course of implementing the budget, all localities are encouraged to appropriately increase the funds for education according to

their own financial reserves for emergency use, and to strive for a simultaneous increase in their total expenditure and the expenses on education. Meanwhile, it is imperative to effectively manage and use the funds for education so as to ensure the focal points in educational work and to achieve practical results, and it is also imperative to bring into full play the enthusiasm of departments, factories and mines, units in the rural areas, and the masses of people for developing intellectual resources, and encourage them to make concerted efforts to develop cultural and educational undertakings. Efforts should be made to improve the methods of contracting for the budgetary operating expenses on administrative work and to attain better returns from the use of funds. The establishments where conditions are ripe should be managed in the way in which enterprises are operated so that they can work hard to boost revenue and reduce expenditure and to stimulate the development of their undertakings. We should reform the science and technology management system, further expand the decisionmaking power of scientific research institutions, and encourage them to sign contracts with user organizations that list remunerations and to introduce the contract system for internal research jobs and research job accounting. In this way, scientific research institutions engaged in the development and spread of technologies can gradually finance their activities with their own funds instead of depending on the state treasury for operating expenses.

5. /Firmly boost revenue and rigorously enforce discipline in the financial and economic fields./

Continued efforts should be made to vigorously promote enterprises to turn losses into profits, to further take effective measures to gradually ascertain the targets of turning losses into profits, to carry out the drive to turn losses into profits strictly in accordance with policy stipulations, and to strive to fulfill the task of turning losses into profits. We should further tighten control over taxation work, give better play to the role of taxation as an economic lever in accumulating funds, regulating revenues, and stipulating production, strictly enforce tax policies and decrees, strengthen administration over tax collection, and ensure that tax payments can be collected in full and in good time. While relaxing policies and invigorating the economy, we should effectively strengthen financial supervision and rigorously enforce discipline in the financial and economic fields. We should also strengthen leadership over the work to collect funds for key energy and transport development projects and strive to make the work a success and to fulfill all our tasks. Fellow deputies! During the past year, the province's national economy has continued to develop vigorously and the implementation of the budget has also been satisfactory. We should continue to work hard, unite as one, conscientiously carry out the spirit of the Second Session of the Sixth NPC, persist in restructuring the economy and opening to the outside world, invigorate the economy, attain better economic results, boost revenues vigorously, manage and use funds effectively and strive to fulfill the 1984 provincial budget successfully.

PROVINCIAL AFFAIRS

REPORT ON ZHEJIANG'S 1983 ACCOUNTS, 1984 BUDGET

OW280903 Hangzhou ZHEJIANG RIBAO in Chinese 6 Jul 84 p 2

["Report on the Final Provincial Accounts for 1983 and the Draft Provincial Budget for 1984 (Excerpts) Delivered by Wu Jian, Director of the Zhejiang Provincial Finance Department, at the Second Session of the Sixth Zhejiang Provincial People's Congress on 26 June 1984"]

[Excerpts] Fellow Deputies: On behalf of the provincial people's government, I shall now submit for your examination and approval a report on the final provincial accounts for 1983 and the draft provincial budget for 1984:

I. The Final Provincial Accounts for 1983

After examination and approval by the First Session of the Sixth Provincial People's Congress, the 1983 provincial budget has been implemented satisfactorily by continuing to carry out the policy of national economic readjustment.

The final provincial accounts showed that provincial revenues in 1983 totaled 4.07 billion yuan, or 107.1 percent of the budgeted figure, up 12.2 percent over 1982. Of all the revenues for 1983, receipts from enterprises totaled 948.24 million yuan, or 100.3 percent of the budgeted figure; tax receipts amounted to 3.1 billion yuan, or 108.9 percent of the budgeted figure; receipts from miscellaneous sources came to 15.22 million yuan, or 507.3 percent of the budgeted figure.

In the 1983 final provincial accounts, total expenditures (including provincial budgetary appropriations, appropriations from the central authorities and reserve funds of the province in 1983) amounted to 2.19 billion yuan, or 119.2 percent of the provincial budgeted figure and 16.2 percent more than the figure for 1982. Of this, appropriations for capital construction totaled 356.11 million yuan, or 182.6 percent of the budgeted figure; funds for revamping enterprise equipment, financing their technical transformation and subsidizing trial manufacture of new products totaled 231 million yuan, or 196.4 percent of the budgeted figure; allocation of circulating funds for enterprises was 45.28 million yuan, or 75.5 percent of the budgeted figure; aid to rural people's communes and production brigades for developing production and other operating expenses for agriculture, forestry

and water conservancy works totaled 271.31 million yuan, or 130.7 percent of the budgeted figure; operating expenses for culture, education, science and public health services totaled 680 million yuan, or 118.2 percent of the budgeted figure; and funds for urban maintenance and construction totaled 12.5 million yuan (including 6.46 million yuan in subsidies for environmental protection), or 216.2 percent of the budgeted figure.

Funds collected in 1983 for construction of key energy and transport projects amounted to 241.98 million yuan, or 78.98 million yuan in excess of the budgeted figure. The excess amount was returned by the central authorities to the province for construction of local energy and transport projects. Governments at various levels of the province, the various organizations, institutions, enterprises and establishments, as well as people in cities and the countryside bought a total of 135.11 million yuan of treasury bonds, or 102.5 percent of the assigned tasks.

The chief factors for success in fulfilling the 1983 financial revenues and expenditures tasks are as follows:

- (1) Growth in production and improvement in economic results.
- (2) Notable results scored in implementing measures of the central authorities for concentrating the use of funds and in carrying out the first phase of reform by substituting the system of profit delivery to tax collection among state enterprises.
- (3) Improvement in tax collection work.
- (4) Success in the work of turning deficit-making enterprises into profit-making enterprises.
- (5) Active financial support for economic, educational and cultural development and for improving the people's living standards.

Generally speaking, the 1983 provincial budget was implemented satisfactorily. This is an indication of the overall sustained growth in the province's national economic development. It is also a natural outcome of the improved leadership over economic and financial work by various party committees and governments. The cadres who are in charge of financial and tax collection work have distinguished themselves by doing untiring work over the past year. However, there are still problems in our finance work. They can be summarized as follows:

- (a) Lack of an innovative spirit in making reforms and ideologically falling behind the rapidly developing economic situation.
- (b) The obvious conflict between needs and potential.
- (c) The economic results of using funds are unsatisfactory. No prompt feedback on the use of funds has been evident.

(d) Violations of financial and economic discipline are still serious.

II. The Draft Provincial Budget for 1984

Total revenue at 4.15 billion yuan. [as received] Of this, receipts from industry will come to 865 million yuan, an increase of 5 percent over 1983; receipts from commerce will amount to 335.1 million yuan, up 6.1 percent; funds returned by food enterprises will be 80 million yuan, down 15.9 percent; and industrial and commercial tax receipts will come to 2.9 billion yuan, up about 1 percent.

The 1984 provincial budget sets total expenditures at 2 billion yuan (excluding appropriations from the central authorities and reserve funds of the province). The chief expenditures are as follows: Budgetary appropriations for capital construction total 215 million yuan, funds for technical transformation of enterprises and for trial manufacture of new products total 141.3 million yuan, aid to rural communes and production brigades for developing production and other operating expenses for agriculture total 215.35 million yuan, operating expenses for culture, education, science and public health services total 627.55 million yuan, operating expenses for industry, commerce and communications total 35.75 million yuan, administrative expenses come to 283.2 million yuan, appropriations for urban maintenance 89.9 million yuan, allocations for the disabled and social relief amount to 44.3 million yuan, and miscellaneous operating expenses come to 51 million yuan.

The total expenditures of the province projected for 1984, provincial budgetary expenditures plus appropriations from the central authorities and reserve funds of the province, is expected to come to about 2.35 billion yuan, an increase of 7.1 percent more than the actual total expenditures in 1983. The major budgetary expenditures are generally higher than the actual expenditures in 1983. Expenditures for education will probably increase by over 8.9 percent over the previous year.

The major measures for the successful execution of the 1984 provincial budget are as follows:

(1) Further emancipate the mind, earnestly reform the financial and tax system, and actively serve economic reforms in cities and the countryside.

(2) Keep abreast of the economic situation resulting from the policy of internally enlivening the economy and externally opening to the outside world by improving the existing financial and tax policies and measures, vigorously supporting the policy of opening to the outside world, supporting production and developing more financial resources.

(3) Firmly implement the measures to concentrate the use of funds and ensure fulfillment of financial revenue goals.

(4) Strengthen financial supervision, enforce financial and economic discipline, oppose squandering and control and curtail administrative expenses.

CSO: 4006/677

PROVINCIAL AFFAIRS

SICHUAN RIBAO CARRIES STATISTICS FOR 1983

HK230640 Chengdu SICHUAN RIBAO in Chinese 20 Jun 84 pp 2, 4

["Communique Issued by the Sichuan Provincial Statistics Bureau on the Results of Implementing the 1983 Plans for Economic and Social Development"]

[Text] In 1983, people of various nationalities in our province have, under the leadership of the Sichuan Provincial CPC Committee and the Sichuan Provincial Government and in accordance with the spirit of the 12th party congress, seriously implemented the line, principles, and policies formulated since the 3d Plenary Session of the 11th CPC Central Committee, continued to implement the policy of readjustment, restructuring, consolidation, and improvement of the national economy, strived to create a new situation of socialist construction in the province by focusing on improving economic return, and have obtained remarkable achievements in the various areas of economic and social development. The gross social output of the province for the year* was initially estimated to be 72.75 billion yuan (based on 1983 prices), showing an increase of 10.9 percent over the actual calculation of that of the preceding year. The gross industrial and agricultural output was 60.34 billion yuan (59.35 billion yuan in constant 1980 prices, with an increase of 10.9 percent over the preceding year), when calculated in accordance with the province's annual average per capita industrial and agricultural output of 600 yuan (591 yuan in terms of constant 1980 prices, with an increase of 9.6 percent over the preceding year). The national income was initially estimated to equal 34.46 billion yuan, an increase of 8.4 percent over the actual calculation of the preceding year; but when calculated in accordance with the province's annual average per capita income of 343 yuan, it showed an increase of 7.2 percent over the preceding year. Among the 71 major items of industrial and agricultural

*The gross social output is the sum of the total output of agriculture, industry and construction, communications and transportation, and commerce--including materials, supplies and marketing, and the catering trade. The national income is the sum of the net production value of the above five material production departments. The figures for gross social output, gross industrial output, gross agricultural output, and national income published in this communique are calculated in accordance with 1983 prices, other than those stated as having been calculated in accordance with constant 1980 prices; and the percentage of growth over the preceding year is calculated in accordance with constant prices.

production stipulated in the province's Sixth 5-Year Plan, the quotas for 36 were fulfilled or overfulfilled 2 years ahead of schedule. These included raw coal, natural gas, pig iron, steel, rolled steel, timber, cement, chemical fertilizers, grain, cotton, pork, beef, mutton, and so on. On the basis of the tremendous development of industrial and agricultural production, the circulation of commodities expanded further, markets were enlivened, the income of both the urban and rural population continued to increase, and the livelihood of the people was further improved. There were achievements in the building of material civilization while a great improvement in the building of spiritual civilization was seen. However, major problems existed in the development of the national economy including: the shortages of energy supplies and certain raw materials, the intensified situation in communications and transportation, reduction of production of certain major cash crops, certain relations of the national economy which needed to be further settled, and the economic return, though slightly improved, was still lagging behind the advanced level.

I. Agriculture

Due to the continuous stabilization and perfection of the output-related responsibility system which was implemented mainly in the form of household management, the development of specialized households, the strengthening of pre- and post-production services, the profound launching of testing sites for comprehensive reform in the rural areas and the popularization of the experience of these testing sites throughout the province, our province was able to further motivate the production initiative of the broad masses of peasants and enable the broad masses of peasants to pay attention to applying advanced agricultural science and technology, expanding the area cultivated in improved varieties, readjusting the structure of agricultural production, and actively developing diversification. Thus, agricultural production continued to develop. Total agricultural output for the year amounted to 26.85 billion yuan (25.63 billion yuan calculated in constant 1980 prices, with an increase of 7.3 percent over the preceding year and fulfilling 103.5 percent of the plan). Of this total agricultural output, agriculture (cultivation of crops) accounted for 17.31 billion yuan, with an increase of 4.1 percent over the preceding year; forestry accounted for 1 billion yuan, an increase of 14.9 percent over the preceding year; animal husbandry accounted for 5.83 billion yuan, an increase of 12.7 percent; fishery accounted for 0.16 billion yuan, an increase of 22.9 percent; and sideline occupations accounted for 2.55 billion yuan, an increase of 14.4 percent. Of sideline occupations output, brigade-run industry accounted for 1.43 billion yuan, an increase of 11.2 percent over the preceding year and peasant household handicrafts accounted for 0.56 billion yuan, an increase of 40.5 percent.

The output situation for the major agricultural products is as follows: Production of grain has increased for 7 consecutive years and total production amounted to 40.085 million tons (equivalent to 80.17 billion jin), fulfilling 104.7 percent of the planned quota and showing an increase of 4.3 percent over the preceding year; the average grain output per mu of the area sown amounted to 535 jin, an increase of 34 jin over the preceding year.

The cotton harvest was also abundant, totaling 108,000 tons (equivalent to 2.152 million dan) and fulfilling 132.8 percent of the planned quota, an increase of 30.8 percent over the preceding year; the average output per mu amounted to 107 jin, the highest in history. The output of oil crops was down compared with that of the preceding year mainly because production of rapeseeds and adjustments in the procurement price were controlled and the area under cultivation was reduced. Output of peanuts increased over the preceding year. The production of sugarcane was down because of frost and the influence of the policy of awarding sellers. The production of flax also decreased due to the reduction in the area sown. The production quotas for silkworms, tea, and fruit were overfulfilled; production of silkworms and tea has constantly increased and the production of oranges and tangerines increased by a large margin.

Achievements in meeting the production quotas of the major agricultural products is as follows:

	1983	Percentage of growth in 1983 as compared to 1982
Grain	40.085 million tons	4.3
Paddy rice	19.39 million tons	7.3
Wheat	7.24 million tons	13
Tuber crops	5.405 million tons	- 0.8
Mixed grains	7.775 million tons	- 5.6
Soybeans	0.275 million tons	5.8
Cotton	0.108 million tons	30.8
Oil crops	1.128 million tons	-16.8
Rapeseed	0.93 million tons	-21
Peanuts	0.188 million tons	15.3
Sesame	0.006 million tons	-41.1
Sugarcane	1.946 million tons	-10.3
Bast-fiber plants	0.11 million tons	-10.7
Ramie	0.01 million tons	-32.7
Jute and bluish dogbane	0.099 million tons	- 7.5
Tea	0.042 million tons	13.3
Silkworms	0.102 million tons	2.7
Fruit	0.635 million tons	50.1
Oranges and tangerines	0.431 million tons	81.1

In 1983, following the implementation of a more flexible policy on forestry by the central authorities, the provincial CPC committee and the provincial government held a work meeting on afforestation in the hilly areas around the basin and in areas in the center of the basin. This has further perfected the forestry production responsibility system and more extensively launched the all-people's compulsory afforestation campaign, speeding up the pace of afforestation and remarkably increasing the afforested area. The total area afforested in the year was 343,000 hectares, 128.7 percent of the plan and an increase of 52.6 percent over the preceding year. Production of

some forestry products such as tung tree seed, tea-oil tree seed, Chinese tallow tree seed, gallnut, and so on increased slightly over the preceding year.

Animal husbandry continued to develop, the number of pigs reared, the number of pigs on hand, and the number of livestock at the end of the year showed an increase over the preceding year; however, the number of sheep at the end of the year and the amount of beef and mutton showed a decrease over the preceding year.

Production for the major animal husbandry products and the number of livestock raised are as follows:

	1983	Percentage of growth in 1983 as compared to 1982
Production of pork, beef, mutton	2.209 million tons	11.9
Pork production	2.141 million tons	12.6
Beef production	0.038 million tons	- 1.8
Mutton production	0.03 million tons	-12
Milk production	0.178 million tons	10.2
Wool production	0.003 million tons	level
Number of pigs reared	35.89 million	6.3
Number of pigs on hand at the end of the year	53.61 million	3.3
Number of livestock at the end of the year	9.63 million	0.6
Cattle	9.216 million	0.4
Number of sheep at the end of the year	9.58 million	- 4.4

The production of eggs and honey increased over the preceding year by 26.4 percent and 4.9 percent respectively.

Fishery production increased by a very large margin. The total output of aquatic products throughout the year amounted to 0.083 million tons, an increase of 22.5 percent, which fulfilled 123.6 percent of the planned quota.

Conditions for agricultural production have been further improved. Agricultural machinery employed in the rural areas was on the increase. The growth of means of transportation was particularly fast, and the utilization of agricultural chemical fertilizers and the consumption of electricity also grew. The total horsepower of the agricultural machinery in the rural areas in the province in 1983 was 10.91 million horsepower, an increase of 6.7 percent over the preceding year; there were 23,400 large and medium-sized tractors, basically maintaining the preceding year's level; there were 118,000 small tractors and walking tractors, an increase of 7.5 percent; there were 269,000 irrigation machines for agricultural use, a decrease of

3.2 percent over the preceding year; there were 10,835 trucks for agricultural use, an increase of 35.8 percent over the preceding year; and 378 motor transportation vessels, an increase of 42.1 percent over the preceding year. The amount of chemical fertilizers used throughout the year was 1,317,000 tons (net weight), an increase of 11.1 percent over the preceding year; of this, the use of nitrogenous fertilizers increased by 15.1 percent, phosphate fertilizers by 1.1 percent, potash fertilizers decreased by 23.8 percent, and combined fertilizer increased by 12.5 percent. The total electricity consumption in the rural areas throughout the year was 1.83 billion kilowatt hours, an increase of 7.7 percent.

There was a slight increase in the area irrigated by water conservancy projects. The irrigated area throughout the province at the end of the year amounted to 15.79 million mu, an increase of 0.3 percent over the preceding year.

In the wake of the development of the production of commodities in the rural areas, the structure of the rural labor force also changed. Among the entire labor force in the communes (rural areas) at the end of 1983, laborers engaged in commune-run industries, the building industry, transportation and communications, commerce, the catering trade, servicing trades, education and public health, social affairs management, and so on accounted for 4.8 percent of the commune (rural areas) labor force.

II. Industry

In 1983, our province's industrial production grew by a large margin, and the economic return also improved. The total industrial output for the year amounted to 33.40 billion yuan (34 billion yuan calculated in constant 1980 prices, showing an increase of 12.8 percent over the preceding year and fulfilling 107.4 percent of the plan). Among the 100 major industrial products which were emphatically examined by the province, 82 grew at a different rate than that of the preceding year, and the production quotas for 78 of them were fulfilled or overfulfilled. Major production quotas for products such as generated energy, raw coal, natural gas, steel, pig iron, rolled steel, cement, timber, sulphuric acid, caustic soda, alkali, chemical fertilizers for agricultural use, plastics, machine tools, walking tractors, internal combustion engines, light motorbikes, television sets, recorders, bicycles, watches, cotton fiber, silk, silk-knit products, beverages and wine, cans, and so on were fulfilled or overfulfilled.

Heavy industrial production this year was boosted in the wake of the rapid development of the state's key construction projects, the vigorous promotion of technical renovation in the various departments of the national economy, and the increasing demands by rural areas for the means of production and construction materials. The total output of heavy industry amounted to 1.776 billion yuan (1.763 billion yuan calculated in constant 1980 prices, showing an increase of 16.2 percent over the preceding year). Of this, machine industry grew by 21.1 percent, metallurgical industry by 15.7 percent, construction materials industry by 15.3 percent, chemical industry by 13.2 percent, power industry by 12.0 percent, oil and natural gas industry by 10.6 percent, and forest industry by 6.6 percent.

Production of the major heavy industrial products is as follows:

	1983	Percentage of growth in 1983 as compared to 1982
Raw coal	44.33 million tons	7.8
Crude oil	0.108 million tons	6.3
Natural gas	5.38 billion cubic meters	2.6
Generated energy	18.78 billion kilowatt hours	8.9
Hydroelectric power	9.08 billion kilowatt hours	9.6
Pig iron	2.871 million tons	0.6
Steel	3.536 million tons	4.7
Rolled steel	2.558 million tons	7.5
Machine coke	2.092 million tons	3.9
Timber	2.667 million cubic meters	6.0
Cement	7.332 million tons	14.4
Sulphuric acid	0.738 million tons	14.2
Caustic soda	0.137 million tons	5.2
Sulphuric iron mine (exported amount)	0.557 million tons	35.4
Phosphate rock (production amount)	1.485 million tons	4.9
Synthetic ammonia	1.603 million tons	7.0
Chemical fertilizers for agricultural use (equiva- lent to 100 percent)	1.391 million tons	8.5
Nitrogenous fertilizer	1.096 million tons	7.2
Phosphate fertilizer	0.29 million tons	13.3
Potash fertilizer	0.005 million tons	37.5
Chemical pesticides	8,323 tons	-43.8
Pesticide with high efficiency, low poison levels, and low residual rates	6,084 tons	45.9
Carbon black	23,430 tons	9.6
Plastics	22,054 tons	13.4
Synthetic rubber	5,310 tons	25.7
Outer tire valves	0.565 million pieces	33.1
Mining equipment	13,927 tons	68
Metallurgical equipment	1,808 tons	19.7
Electricity generating equipment	0.339 million kilowatt	106.3
Machine tools	7,576	21.4
Tractors	217	6.9
Walking tractors	16,728	129.2
Internal combustion engines (marketable quantity)	1.879 million horsepower	61.5
Diesel locomotives	31	14.8
Trucks	2,641	27.8
Civilian steel vessels	40,898 tons	22.9

While heavy industry grew to a large extent, light industry also developed at a relatively fast rate. In 1983, the province's light industrial output totaled 1.573 billion yuan (1.637 billion yuan calculated in constant 1980 prices, an increase of 9.3 percent). Of the total light industrial output, paper industry grew by 14.8 percent, textile industry by 13.4 percent, leather industry by 8.5 percent, stationery industry by 11 percent, tailoring by 7.5 percent, and foodstuffs industry by 3.5 percent (the growth rate should be 10.8 percent after deducting the inconstant factor of slaughtering and the initial processing of grain and oil).

Production of major light industrial products is as follows:

	1983	Percentage of growth in 1983 as compared to 1982
Yarn	0.131 million tons	- 3.6
Cloth	728.18 million meters	0.4
Purified fiber	21.56 million meters	127.4
Chemical fiber	11,976 tons	-45.1
Silk	10,806 tons	6.9
Silk knits	47.55 million meters	6.3
Wool fabric	2.265 million meters	7.3
Machine-made paper and paperboard	0.473 million tons	12.3
Drinking wine	0.594 million tons	26.8
White wine	0.448 million tons	13.3
Beer	0.053 million tons	59.0
Sugar	0.152 million tons	- 1.0
Cans	0.1 million tons	26.4
Raw salt	1.412 million tons	5.5
Cigarettes	0.748 million boxes	3.0
Leather (cowhide)	3.468 million pieces	- 4.9
Shoes	15.465 million pairs	13.3
Pharmaceuticals (raw medicines)	3,351 tons	15.3
Chinese medicines ready-made by a pharmacy	8,100 tons	16.7
Synthetic detergents	29,843 tons	20.3
Soap	0.057 million tons	3.5
Bicycles	0.483 million	50.7
Light motorbikes	0.16 million	31.7
Sewing machines	0.212 million	-16.4
Watches	1.144 million	29.4
Television sets	0.363 million	31.2
Color television sets	0.024 million	380
Radios	0.222 million	-32.3
Recorders	0.132 million	71.6
Domestic refrigerators	1,166	270
Domestic washing machines	0.327 million	94.4
Electric fans	0.42 million	- 5.8
Cameras	29,619	260
Electricity meters	2.254 million	98.8
Water meters	0.367 million	-21.9
Light bulbs	69.77 million	20.3

There were improvements in the economic return of industry. In 1983, the province's total economic output grew by 12.8 percent, and this was obtained with an increase in energy production of only 6.8 percent, reflecting better results in our work to save energy. The total industrial output for 1983 when the industrial enterprises under the people's ownership system were independently calculated was increased by 14 percent over the preceding year, the income obtained through marketing of products grew by 14 percent, and the taxes charged on marketing products and the profits obtained also grew by 14.3 percent over the preceding year, thus realizing the "three simultaneous steps." The total profits of the profit-making enterprises amounted to 3.33 billion yuan, an increase of 22.1 percent over the preceding year; the total deficits of the enterprises amounted to 0.28 billion yuan, a decrease of 22.5 percent over the preceding year; and the total profits after writing off the deficits amounted to 3.05 billion yuan, an increase of 17.1 percent over the preceding year. The production costs of fixed products was lowered by 0.7 percent over the preceding year; the circulation period of the floating capital was reduced from 147 days in the preceding year to 136 days; the all-labor productivity was 9,568 yuan, showing an increase of 11.2 percent over the preceding year. The improvement rate in the stabilization of quality of the major industrial products was maintained above 85 percent, while the rate for superior quality products was 8.9 percent and the output of superior quality products increased by 67 percent over the preceding year. The net output of industrial production throughout the province in 1983 increased by 13.5 percent over the preceding year, a 0.7 percent increase in growth for the total industrial output. This reflected the improvements in obtaining comprehensive industrial economic returns.

III. Investment of Fixed Assets

In 1983, units in the all-people's ownership system throughout the province achieved 5.11 billion yuan of investment in fixed assets, an increase of 0.7 billion yuan over the preceding year; investment by the urban collective ownership units amounted to 0.19 billion yuan, an increase of 0.03 billion yuan over the preceding year; investment by the rural collective ownership units amounted to 0.35 billion yuan, a decrease of 0.07 billion yuan over the preceding year; and investment in the private construction of houses in urban and rural areas amounted to 1.16 billion yuan, an increase of 0.39 billion yuan over the preceding year.

Of the total invested in fixed assets by the units of the all-people's ownership system, investment in capital construction accounted for 3 billion yuan, an increase of 0.47 billion yuan over the preceding year; renovation and rehabilitation of facilities and investment in other fixed assets accounted for 2.11 billion yuan (of this, investment in other fixed assets accounted for 0.31 billion yuan), an increase of 0.23 billion yuan over the preceding year. Of the investment in capital construction, investment under the state budget was 1.44 billion yuan, an increase of 0.41 billion yuan over the preceding year; self-raised and other investment amounted to 1.26 billion yuan, a decrease of 0.03 billion yuan over the preceding year; domestic loans amounted to 0.26 billion yuan, an increase of 0.09 billion yuan; utilization

of foreign capital amounted to 0.04 billion yuan, basically maintaining the level of the preceding year; and investment in local projects amounted to 1.51 billion yuan, an increase of 0.11 billion yuan over the preceding year.

Of the total invested in capital construction, investment in energy and transportation facilities increased remarkably. Investment in capital construction in the energy industry throughout the province totaled 0.57 billion yuan, an increase of 0.18 billion yuan over the preceding year or 46.2 percent growth. The total invested in the energy industry as a proportion of total capital construction investment increased from 15.4 percent in the preceding year to 19 percent. Investment in capital construction in the transportation and post and telecommunications departments amounted to 0.25 billion yuan, an increase of 0.08 billion yuan over the preceding year or 47.1 percent; the total invested in the transportation and post and telecommunications departments as a proportion of total capital construction investment also rose from 6.7 percent in the preceding year to 8.3 percent. Investment in education also grew by a large margin, investment by education departments throughout the province amounted to 0.23 billion yuan, an increase of 0.06 billion yuan or a 35.3 percent growth.

As key construction projects in the field of energy and transportation are being emphasized, the ratio between productive capital construction and nonproductive capital construction changed. In 1983, the investment in productive capital construction amounted to 1.52 billion yuan, an increase of 32.8 percent, and its proportion of total capital construction investment went from 45.4 percent in the preceding year to 50.7 percent; investment in nonproductive capital construction amounted to 1.48 billion yuan, an increase of 25.4 percent and its proportion dropped from 54.6 percent to 49.3 percent; of nonproductive capital construction, investment in residential apartments amounted to 0.93 billion yuan, still maintaining the scale of investment of the preceding year. This change in proportion shows that "making up for debts" is still a major component of our province's capital construction, however, the key point of investment has started to shift to productive construction.

Investment plans for large, medium, and small-scale projects scheduled to be constructed in our province by the state were satisfactorily fulfilled. Actual investment in large, medium, and small-scale projects in the province amounted to 0.85 billion yuan, accounting for 97.8 percent of the year's plan, and at the end of the year, five of the large, medium, and small-scale projects scheduled by the state were completed and had started operations. These projects were: increasing the generating capacity of the Nanya River hydropower station to 120,000 kilowatts and the Huaying Shan power station to 100,000 kilowatts, increasing the production capacity of the Qujiang cement plant to 460,000 tons, the Hongguang electron tube plant to 500,000 black and white kinescopes; and, in addition, four more large and medium-scale projects were constructed and put into operation.

The major production capacity increases resulting from capital construction included: 200,000 tons of rolled steel, coal excavation of 180,000 tons, 0.17 billion cubic meters of natural gas exploitation, 0.258 million kilowatts

of generating capacity, 376 kilometers of electric wire, 500,000 tons of cement, 11,000 cotton spinning spindles, 10,000 tons of machine-made sugar, 122 kilometers of electric railroad, felling and transporting 30,000 cubic meters of timber, 522 kilometers of highway, 0.31 billion cubic meters of reservoir capacity, effectively irrigating an area of 190,000 mu, and 0.197 million seats for secondary and primary school students.

The economic return on capital construction has been considerably improved. In 1983, the total number of projects promoted was 7,185, and 4,206 projects were completed and started operation, a completion rate of 58.5 percent, an increase of 14.4 percent over the preceding year; the rate of completed residential construction rose from 50.6 percent in the preceding year to 63.7 percent.

Technical renovation of the existing enterprises was further strengthened. In 1983, units in the all-people's ownership system invested 2.11 billion yuan in renovating and rehabilitating facilities and other fixed assets, an increase of 14.7 percent over the preceding year, thus strengthening control over the expansion of reproduction, increasing investment in replacing and economizing facilities and measures to improve the nature and quality of the products. Of the investment in renovating facilities, investment in new construction and expansion accounted for 0.42 billion yuan, a decrease of 0.43 billion yuan over the preceding year, while investment in renovation and rehabilitation accounted for 1.23 billion yuan, an increase of 0.25 billion yuan over the preceding year; investment in construction and installation projects accounted for 0.95 billion yuan, a decrease of 0.13 billion yuan over the preceding year; and investment in the purchase of equipment, tools and apparatus accounted for 0.71 billion yuan, an increase of 4.43 billion yuan. The proportion of total investment used for saving energy and raw materials was raised from 4.1 percent in the preceding year to 4.8 percent, that used in measures to improve the nature and quality of the products was raised from 4.4 percent of the preceding year to 7.1 percent, and that used in strengthening the facilities of transportation and post and telecommunications was raised from 6.2 percent in the preceding year to 7.9 percent.

IV. Transportation, Post and Telecommunications

Given the heavy transportation tasks and the intensified situation in transportation, the transportation departments mainly relied on tapping the latent potentials and strengthening management to satisfactorily fulfill the transportation tasks. In 1983, the total volume of freight carried by all means of transportation amounted to 28.45 billion tons per kilometer, an increase of 11.3 percent over the preceding year. Of this, railway transportation reached 20 billion tons per kilometer, an increase of 9.4 percent over the preceding year; highway transportation reached 3.12 billion tons per kilometer, an increase of 17.7 percent over the preceding year; and water transportation reached 5.32 billion tons per kilometer, an increase of 15.1 percent. In organizing transportation work, the transportation departments attached primary importance to the transportation of coal and agricultural materials. The volume of exports conveyed by water transportation grew

tremendously, the volume of freight exported from Sichuan on the Changjiang from all areas in the province amounted to 0.75 million tons, an increase of 88 percent over the preceding year.

In 1983, the total volume of passenger transportation by all means of transportation amounted to 18.32 billion people per kilometer, an increase of 13 percent over the preceding year. Of this, railway transportation accounted for 7.31 billion people per kilometer, an increase of 9.4 percent; highway transportation accounted for 9.27 billion people per kilometer, an increase of 17.5 percent over the preceding year; water transportation 1.46 billion people per kilometer, an increase of 11.2 percent; and civil aviation 0.28 billion people per kilometer, a decrease of 12.5 percent.

There were also improvements in the economic return of the transportation departments. In 1983, the profits of the Chengdu Railroad Bureau grew by 14.7 percent compared to the preceding year, those of the provincial traffic department also grew by 13.5 percent compared to the preceding year, and those of the Changjiang Navigation Management Bureau, Chongqing Sub-Bureau, also grew tremendously. The transportation departments achieved remarkable results in saving energy. The Chengdu Railroad Bureau, the Changjiang Navigation Management Bureau, Chongqing Sub-Bureau, and the provincial subordinate car transportation company saved almost 30,000 tons of diesel and over 5,000 tons of petrol over the year.

In 1983, development of post and telecommunications was rapid. Post and telecommunications services performed in the year amounted to 120.31 million yuan, an increase of 8.9 percent over the preceding year. Of this the volume of newspapers grew by 24 percent, magazines by 13.5 percent, letters by 4 percent, telegrams 13.4 percent, long-distance calls 11.2 percent, and the number of telephone consumers by 7.4 percent during the year.

Although there was a remarkable growth in the volume of freight and passenger transportation and in post and telecommunications business, the incompatibility of the development of transportation and post and communications business with the development of the national economy was still outstanding. The situation of railroad transportation was in particular very tense and loading and unloading facilities for water transportation was still weak and awaited further solution.

V. Commerce, Foreign Trade, Tourism

Both purchasing and marketing are brisk and the markets are lively. In 1983, the total volume of commodities procured by the commercial establishments under all-people's ownership and the supply and marketing cooperatives amounted to 16.74 billion yuan, an increase of 12.1 percent over the preceding year. Of this, procurement of agricultural and sideline products amounted to 7.56 billion yuan, an increase of 7.6 percent over the preceding year, and procurement of industrial products amounted to 9.09 billion yuan, an increase of 16 percent over the preceding year. Procurement of most of the main commodities increased over the preceding year; procurement of grain was 7,321,000 tons, an increase of 20.1 percent; cotton 103,000 tons, an

increase of 25.1 percent; fresh eggs grew by 7 percent; cigarettes by 8.4 percent; television sets by 59.4 percent; watches by 29.5 percent; bicycles by 200 percent; and tape recorders by 330 percent. The volume of stocks of commodities at the end of the year grew by 5.9 percent over the preceding year.

In 1983, the total retail sales volume of social commodities amounted to 19.25 billion yuan, an increase of 9.7 percent over the preceding year and a real growth rate of 8.9 percent after deducting the inflation factor in retail prices. Of the retail volume of social commodities, that for consumer goods grew by 8.9 percent and retail sales of the means of agricultural production grew by 9.8 percent. The retail sales of most major consumer goods increased over the preceding year; edible vegetable oil grew by 12.4 percent, pork by 8.6 percent, cigarettes by 19.3 percent, wines by 23 percent, various kinds of cloth by 8.8 percent (of this chemical cotton fibers grew by 38.3 percent and chemical fibers by 110.7 percent while cotton cloth declined by 12 percent), woollen cloth by 33.2 percent, silks and satins by 49.7 percent, television sets by 28.5 percent, watches by 22.6 percent, and bicycles by 51.2 percent.

The retail sales volume of commodities of various economic types grew to varying extents, and the growth of the individual economy was the fastest. In 1983, retail sales volume of commodities in the all-people's ownership economy amounted to 12.94 billion yuan, an increase of 4.4 percent over the preceding year; that of commodities in the collective ownership economy amounted to 4.21 billion yuan, an increase of 5.8 percent over the preceding year; and that of commodities in the individual economy amounted to 1.02 billion yuan, an increase of 240 percent. The proportion of the total retail sales volume of social commodities represented by the individual economy rose from 1.8 percent in the preceding year to 5.6 percent.

The volume of business at urban and rural trade fairs increased by a big margin. In 1983, the volume of business at urban and rural trade fairs amounted to 4.09 billion yuan, an increase of 19 percent over the preceding year. Of this, the sales volume of eggs grew by 29.8 percent over the preceding year, of aquatic products by 26.4 percent, of vegetables by 21.6 percent, and of dried fruit by 39.4 percent.

Market prices rose slightly. In 1983, the general procurement price index of agricultural and sideline products rose by 1.9 percent over the preceding year. The general index of the whole social retail price rose by 0.7 percent over the preceding year. The workers' cost of living index rose by 1.2 percent over the preceding year.

The economic return of the state-run commercial establishments and the enterprises of supply and marketing cooperatives has obviously been improved. In 1983, profits achieved by commercial enterprises increased by 44.8 percent over the preceding year; commodity circulation costs lowered from 10.7 percent in the preceding year to 10.4 percent; the circulation period for floating capital was reduced from 220 days in the preceding year to 216 days. Of this, profits achieved by the systems under the commercial department grew

by 18.1 percent over the preceding year, the rate of the circulation costs of the commodities dropped by 0.2 percent, and the circulation period for floating capital was reduced from 164 days in the preceding year to 148 days.

In 1983, the sales volume of the means of production under the unified management of the state was increased to a relatively large margin. Coal grew by 24.4 percent, steel by 41.6 percent, timber by 0.3 percent, cement by 9.7 percent. The rate of the fulfillment for state supply contracts for major products was raised over the preceding year.

Foreign trade continued to increase. In 1983, the foreign trade commodity exports of the whole province amounted to 1.2 billion yuan, an increase of 8.3 percent. Of the various commodities, grain and foodstuffs grew by 12.4 percent over the preceding year; tea by 24.7 percent; native products by 19.3 percent; animal products by 2.7 percent; light industrial products, metals, and mined products and chemicals and medicines by 2 percent; and silk by 12.9 percent. There was rapid growth in exports by individual enterprises and the year's direct exports amounted to U.S.\$118.24 million, an increase of 28.2 percent over the preceding year. Imports amounted to U.S.\$26.44 million, a decrease of 30 percent over the preceding year.

The proportion of total commodity exports represented by agricultural and sideline products lowered from 17.3 percent in the preceding year to 14 percent. The proportion of processed commodities in agricultural and sideline products rose from 52 percent in the preceding year to 56.8 percent. The proportion of industrial and mined products lowered from 30.7 percent in the preceding year to 29.2 percent. There was a general decrease in imported commodities.

There were new developments in tourism. In 1983, the province received a total of 55,000 people from 34 countries and areas who came to sightsee, visit relatives and friends, trade, and participate in exchanges in sports and science and culture, an increase of 8.7 percent over the preceding year. Of these, foreigners accounted for 34,000, an increase of 16.2 percent over the preceding year. The whole year's foreign remittance income amounted to 13.70 million yuan, an increase of 6.6 percent over the preceding year.

VI. Science, Education, and Culture

Science was further developed. At the end of 1983, there were 543,000 natural scientists and technicians in the units of the all-people's ownership system, an increase of 45,000 people over the preceding year and a 9 percent growth. There were 569 major scientific and technical achievements obtained during the year and 293 projects were awarded the title of provincial scientific and technical achievements after being approved by the provincial people's government. Of these, 1 project was awarded first class honors, 7 projects were awarded second class honors, and 89 were awarded third class honors. In addition, six projects were awarded the honor of popularization of applied results. Of the projects which were awarded honors, the "necessary nutrients for pigs in Sichuan" which was awarded first class honors was a leader within the country. It has made a great contribution to the

province's combination of fodder and the development of the pig rearing business the success of the trial production of the "FXN--new pesticide for wheat rust" which was awarded second class honors created conditions to avoid the loss of several billion jin of wheat each year in our country.

The development of higher education was relatively fast in our province, structural reform of secondary education was still being carried out, and adult education was further developed. In 1983, the province's general institutes for higher education enrolled 24,500 students, an increase of 4,200 or a 21 percent growth; and the number of graduate students enrolled was 738. The number of students in the general institutes for higher education was 79,400, an increase of 5,400 people or a 7.3 percent growth. The number of undergraduates per 10,000 people rose from 7.4 of the preceding year to 7.9; the number of graduate students was 1,858, an increase of 49 percent. Owing to the fact that students of both the 1978 spring-term and the 1978 autumn-term of the 4-year course graduated in 1983, the number of graduates in 1983 was 19,100, a decrease of 13,200 people over the preceding year. The number of students of the institutes for higher education for adults (including the television and radio broadcasting university, correspondence schools, evening university, and college for staff and workers) was 70,700, showing an increase of 9,600 people and a 15.7 percent growth.

In 1983, there were 93,900 students in the specialized secondary schools, an increase of 6,500 students over the preceding year and a 7.4 percent growth; 71,600 students in agricultural vocational middle schools, an increase of 41,000 students or a 134 percent growth; 30,300 students in the local technical schools, an increase of 2,500 students or a growth of 8.9 percent; 3,642,400 students in commune secondary schools, a decrease of 58,900 students over the preceding year; and 1,991,000 students in the secondary schools for adults (including industrial and agricultural secondary technical schools and spare-time schools), showing an increase of 588,000 students or a growth of 29.5 percent.

In 1983, there were 14,995,000 primary school students, a decrease of 432,000. The main factor accounting for the reduction in the number of primary students was that the number of children of school age had been reduced as a result of the implementation of family planning. The percentage of children of school age starting school rose from 91.3 percent in the preceding year to 92.1 percent.

In 1983, our province's culture, arts, drama, news, broadcasting, and publication work has made new contributions to the building of socialist spiritual civilization. The local nationalities art performances by the province's singing and dancing troupe in the "Chinese cultural day" activities organized by UNESCO in Paris was well received. The performance of the newly written historical Sichuan drama "Talent of Bashan Mountain" during the national day celebration activities in Beijing was also widely applauded.

In 1983, our province produced a total of 8 films (including a drama), 10 television series, and 20 radio plays and 163 new films were distributed.

At the end of the year, there were 12,795 various kinds of film projecting units in the province, 217 literature and art performance troupes, 220 cultural museums, 6,168 cultural stations, 105 public libraries, 19 museums, and 11 art centers for the masses. There were 4 radio broadcasting stations in the province, 2 television broadcasting stations, and 11 television relay stations of 1,000 kilowatt capacity. In 1983, 759 million local newspapers were published, an increase of 157 million over the preceding year or a growth of 26.1 percent; 45.71 million copies of various publications were published; 591 million story books were published; and the number of story books published by the Xinhua Bookstore was 531.32 million copies.

VII. Health and Sports

As of the end of 1983, altogether there were 18,680 various kinds of health and medical organizations at all levels in the province, including 10,458 hospitals, an increase of 28 over the preceding year, and 181,200 beds including 98,200 beds in hospitals at and above county level, an increase of 2,600 beds over the preceding year. The total number of professional medical personnel was 340,400, an increase of 66,700 or a growth of 24.4 percent. Of these, doctors accounted for 122,900, an increase of 2,900, and nurses for 45,100, an increase of 1,800. The number of doctors per 10,000 people rose from 12 in the preceding year to 12.3.

In 1983 during international sports competitions, our province's sportsmen won 1 gold medal, 2 silver medals, 1 bronze medal, and broke a world record; during competitions at home, they won 30 gold medals, 33 silver medals, 32 bronze medals, and broke 8 national records and 71 provincial records. The province has conducted 1,905 sports meets above county level and the total number of athletes participating in these activities was 386,000. The number of athletes achieving the "state standard of physical training" was 1,528,000, an increase of 965,000 over the preceding year or 170 percent growth; physical activities for the masses were extensively launched.

VIII. People's Livelihood

The income of both the urban and rural population was increased and their livelihood was improving gradually. According to a sample survey of the income of 2,760 peasant households in 43 counties, the average per capita net income in 1983 was 258.39 yuan (income from production business was 232.76 yuan), when calculated in accordance with the fixed specifications, it showed an increase of 15.29 yuan over the preceding year or a growth of 6.3 percent; the average per capita consumption was 231.12 yuan, an increase of 11 percent; and the average area under residential occupancy as surveyed at year-end was 17.2 square meters, an increase of 13.2 percent. Of these 2,760 households, 27.9 percent had an average per capita net income above 300 yuan and 2.9 percent had a per capita net income above 500 yuan; the proportion of low-income households with an average per capita net income below 150 yuan was reduced from 7.7 percent in the preceding year to 6.4 percent. According to a sample survey of 1,560 workers' families in 16 municipalities, the average per capita income to be used to cover the cost of living of the workers' households was 481.58 yuan, an increase of 9.2

percent over the preceding year, but the actual growth was 7.9 percent after subtracting for inflation in the price index of the workers' cost of living. The average per capita cost of living was 475.87 yuan, an increase of 40.58 yuan or a growth of 9.3 percent.

In 1983, employment was provided to 424,000 youths awaiting jobs, other personnel, and graduates of universities, secondary schools, and technical schools who were subject to centralized distribution by the state. The number of staff members and workers at the end of the year was 7,812,000, an increase of 109,000 over the corresponding period of the preceding year. Of these, 6,056,000 were staff members and workers of units of the all-people's ownership system, an increase of 89,000, and 1,756,000 were staff members and workers in units of the urban collective ownership system, an increase of 20,000. At the end of the year, the number of individual laborers in the urban areas was 213,000, an increase of 81,000 or a 61.6 percent growth.

In 1983, the total salaries for staff members and workers throughout the province amounted to 6.07 billion yuan, an increase of 5.8 percent over the preceding year, and of this, bonuses and salaries for piece work done in excess of quotas accounted for 0.76 billion yuan. The average annual salary of staff members and workers throughout the province was 788 yuan, an increase of 3.5 percent over the preceding year. In the wake of the increase in income of both the urban and rural population, the amount of savings continued to grow. At the end of 1983, the total savings by the province's urban and rural population amounted to 4.71 billion yuan, an increase of 29.8 percent over the preceding year, and which growth in urban savings was 27.2 percent and rural savings 35.7 percent.

In 1983, the total area of residential construction completed by the units of both the all-people's ownership system and the urban collective ownership system was 9.52 million square meters, an increase of 880,000 square meters, and the area of repaired private housing in urban and rural areas was 42.53 million square meters, an increase of 3.98 million square meters. The residential conditions of both the urban and rural population was improved.

IX. The Economy and Culture of the Nationality Region

The autonomous nationalities region was expanded when the State Council approved the establishment of the Tujia Nationality Xiushan County and the Miao Nationality Youyang County in April 1983. In 1983, there was a new development in the economy and the society of the nationality region. The total agricultural output amounted to 1.41 billion yuan, an increase of 5.2 percent over the preceding year; total grain output amounted to 2,115,000 tons, an increase of 2.2 percent over the preceding year; of the cash crops, the output of sugarcane and beetroot grew by 22.4 percent and 29.2 percent respectively; production of oil crops and flue-cured tobacco reduced by 13.6 percent and 25.3 percent respectively due to the readjustment in the cultivated area. Due to the further perfection of the animal husbandry production responsibility system, animal husbandry in the nationality region consistently developed. The total output of pork, beef, and mutton amounted to 108,000 tons, an increase of 6.1 percent over the preceding year; milk

production was 128,000 tons, an increase of 8.5 percent; wool output 2,428.2 tons, a reduction of 2.7 percent; the number of livestock on hand at the end of the year was 4,895,000, an increase of 2.4 percent over the preceding year; the number of pigs on hand was 3,263,000, an increase of 7.1 percent, the number of sheep on hand was 6.55 million, a reduction of 2.2 percent over the preceding year.

Industrial development was relatively rapid. Total industrial output in 1983 amounted to 870 million yuan, 9 percent increase. Of this, light industry output amounted to 275 million yuan, a 12.6 percent increase and heavy industry output was 595 million yuan, a 7.04 percent increase.

On the basis of developing production, the income of the people of the nationalities region continuously increased and their livelihood improved. Total salaries for staff members and workers in 1983 amounted to 411 million yuan, an increase of 6.8 percent, the average per capita annual worker's salary was 916 yuan, an increase of 6.8 percent. According to a sample survey of the income of 240 peasant households in Xianchang County, Yuexi County, Jinchuan County, and Kangding County, the per capita net income of the peasants was 259 yuan, showing a considerable increase over the preceding year in accordance with fixed specifications. The balance of the savings of the urban and rural population was 269 million yuan, also showing a certain increase over the preceding year.

In 1983, there were 3 institutes of higher learning in the nationalities region and 25 specialized secondary schools. The total of students newly enrolled in all the schools was 236,000. Of these, 558 students were enrolled in the institutes of higher learning, and 2,658 in the specialized secondary schools, an increase of 12 percent and 12.5 percent respectively over the preceding year. The total number of students in all schools was 834,000, a reduction of 2.1 percent over the preceding year, of which, the number of students in the institutes of higher learning was 1,500, an increase of 200; the number of students in specialized secondary schools was 7,300, a reduction of 200; and the number of students in general secondary schools and primary schools was also lower.

In 1983, altogether there were 1,163 various kinds of film projecting units in the nationalities region, 2 broadcast relay stations, and 970 wired broadcast stations. During the whole year, 610,000 story books were published in the language of the Zhuang and Yi nationalities, and 7,783,000 copies of local newspapers and 85,000 magazines were published in Sanzhou.

X. Population

At the end of the year, the total population of the province was 100,755,000, an increase of 534,000. Of this, the rural population accounted for 87,582,000, an increase of 179,000; the nonrural population accounted for 13,173,000, an increase of 355,000. Our province continued to obtain remarkable achievements in planned parenthood work. According to a sample survey, the birth rate was 13.13 per thousand, the death rate was 7.08 per thousand, and the natural growth rate was 6.05 per thousand.

CSO: 4006/677

PROVINCIAL AFFAIRS

BRIEFS

HEILONGJIANG REGIONAL DEVELOPMENT--Harbin, 23 Jul (XINHUA)--Heilongjiang Province in northeast China has signed agreements for 52 economic and technical cooperation projects with the five provinces and autonomous regions of northwest China so far this year, says provincial officials. Most of the projects involve Heilongjiang's technical, material and personnel aids to Shaanxi, Gansu and Qinghai provinces and Ningxia Hui and Xinjiang Uygur autonomous regions. Though not as advanced economically, the northwest will be a focus of construction by the turn of the century. The central government has called for support for the region from all localities. Under the agreements, Heilongjiang in the northeast will assist the northwest in sugar refining, production of linen, and polyester and wool spinning. Heilongjiang will also benefit from the rich wool resources of these areas to boost its woollen blanket production. The province is capable of producing one million blankets a year, but only turns out 150,000 to 200,000 through lack of fine raw material, the officials said. [Text] [OW231435 Beijing XINHUA in English 0637 GMT 23 Jul 84]

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ECONOMIC PLANNING

SONG ZEXING: MACROECONOMIC PLANNED MANAGEMENT

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[Article by Song Zexing [1345 0463 5887] of Liaoning University: "On Macroeconomic Planned Management"--written in March 1984]

[Text] The planned management of our national economy includes two mutually-linked and interacting parts, namely, macroeconomic planned management and microeconomic planned management. Macroeconomic planned management is management over social economic activities as a whole, for example, the planned management for the level and speed of economic development, the proportion between accumulation and consumption, the scale and direction of investment in fixed assets, the total amount and growth of consumption funds, the rate of material consumption of social consumption, social economic results, and the concentration and distribution of social funds. Its task is to achieve an all-round balance of the national economy, insure the lasting, steady and harmonious development of the national economy, promote technological progress, insure the rational distribution and utilization of labor and other production resources of society and achieve relatively good social economic results and a relatively high growth rate of economy. At the same time, it is also aimed at creating necessary external conditions for enlivening the management and administration of our enterprises and raising their economic results. Microeconomic planned management means the planned management by various kinds of enterprises over the production, distribution and circulation of their products. The task of microeconomic planned management is to enable various kinds of enterprises to give full play to their initiative, under the guidance of the planning of the state and within the scope allowed by the state, and to make efforts to improve their production technology, improve their administration and management, continuously raise microeconomic results, and fulfill the tasks assigned by the state plans or to develop in accordance with the direction and orbit stipulated by the state plan. From the above, we can see that macroeconomic planned management is the basis and guide for microeconomic planned management, while microeconomic planned management is a foundation for, and a guarantee for the achievement of macroeconomic planned management. At present, the goal for the reform in our country's system of planned management is to enable these two mutually-linked and interacting parts of the planned management of our national economy to complement one another, coordinate with each other and help more satisfactorily fulfill each other's tasks and thus insure the planned, proportional, and harmonious development of our national economy and satisfy the daily growing demand of the material and cultural livelihood of our people.

The following are some of my opinions on several problems related to macro-economic planned management in light of the relations between the two aspects of planned management.

Macroeconomic Planned Management Demands the Establishment of a Scientific System of Comprehensive Indexes for Our National Economy of Which the Index of Social Final Output Value Is of Particularly Great Significance

It is necessary to use a series of economic indexes to reflect all the party's and state's economic principles, policies, development strategies, macropolicy decisions and plans that embody these policy decisions. All the results of our economic activities and the problems that have emerged in the process of these activities should be reflected by a series of economic indexes. Therefore, economic indexes are important tools for economic management. In order to carry out a scientific planned management over our macroeconomy, we must set up an integrated system of indexes that scientifically reflects the level of development of our national economy, its growth rate, the various kinds of proportional relationships and the social economic results.

In the past, our country used the gross output value calculated with the so-called "factory method" as a major integrated index to reflect the level and speed of its economic development and assess the production results of its enterprises and their performance in fulfilling the state plans. It is known to everybody that using this index to measure the results of economic activities, the growth rate, and the production results in our enterprises is apt to lead to the malpractice of pursuing high output value in a one-sided manner--disregarding material consumption, product quality, and economic results. The gross output value of the society is the total sum of the output value of all the enterprises in our various material production sectors. Because of the duplicated calculation of the material consumption (the transferred value in labor of objects that one enterprise supplies another) in the process of production, this integrated index cannot accurately reflect the final results of the production activities of all sectors and the actual level of development of our national economy. [HK170900] The State Council has approved that, beginning from 1984, we use national income as one of the integrated indexes for measuring our economic development. In our country's statistical practice, national income is the sum of the net output value of the industry, agriculture, construction, transportation, commerce and other factors and in its calculation the transfer value of the objects and means of labor have been excluded from gross social output value and thus there is no problem of duplicated calculation and the index can relatively accurately reflect the level and speed of economic development. At the same time, it can also reflect the conservation of material consumption, cause speed to be better unified with economic results and thus become an index that can reflect the integrated results of our various material production sectors in increasing production and practice thrift. Undoubtedly, this is of great significance for the establishment and perfection of an all-round index system for our planning and statistics and for the strengthening of the planned management of our economic work.

However, in view of being tools of macroeconomic planned management, in addition to the index of national income (also called net social output value), all the index linked with it including gross social output value, social final output value, and value of intermediate products are all important components of the all-round index system of our national economy. They each perform their own role in macroeconomic management.

True, the index of gross social output value has its defects and may lead to malpractice, but it continues to be indispensable in inspecting the technological relations and proportional relationships between our enterprises and between different sectors, analyzing the input and output of various sectors, and calculating the material consumption coefficient between various sectors. Therefore, it continues to play an important role in striking an all-round balance between various sectors.

Viewed from their position and role in the various stages of social production, the various kinds of products included in our total social product consist of intermediate and final products. Therefore, gross social output value is the sum of the value of intermediate and that of final products. Intermediate products mean the products produced in a period (for example a year), which must be further processed, namely, the objects of labor including raw materials, supplementary materials, fuel and power that are produced in the period and processed or consumed in the process of social production in the same period. Final products denote the products that are produced in a certain period, and that need not be further processed and can be supplied for final consumption and use. They include: 1) all consumer goods for the consumption of individuals and social organizations; 2) the newly added fixed assets (including those used for production or nonproduction purposes and those used in replacing what has been worn out and those used as additional accumulation; 3) the products used to increase the stock and reserve goods of the state; and 4) net export products (export products minus import goods in the period).

Because the final output value already includes the value of the intermediate products that have been consumed in the production of final products, or in other words, already includes all the additional value in all the stages of production, it is the final result of the production activities of all the sectors within the period. Similar to net social output value, it excludes the duplicated calculation of the value of intermediate products in gross social output value. Therefore, it can relatively accurately reflect the level of the economic development and the material resources available for consumption and utilization in the period. Therefore, it is a very useful integrated index for measuring and arranging the proportional relationships and speed of our national economy and for achieving an all-round balance in our national economy.

In view of the components of its value, the total social product that is the total sum of work in progress and final products, includes: 1) The transference value in the objects of labor consumed in the production in all the enterprises in our various sectors. The total sum of the transference value is equal to the value of the abovementioned value of work in progress; 2) the depreciation of the fixed assets (means of labor) used in the production

of all the enterprises in our various sectors; and 3) the value created by the input of animate labor in the production. Part of this value forms V--the remuneration for the labor in our material production sectors, and part of it forms M--the net social income.

[HK170901] Because the first component of gross social output value is equal to the value of intermediate products, subtracting the value of intermediate products from gross social output value gives the value of final products. Therefore, the sum of the depreciation of the fixed assets used in the period and the value newly created by labor constitutes the value of final products, which is otherwise called social final output value. The difference in the form of value between social final output value and net social output value is that the former includes the depreciation of the fixed assets used in the period. The corresponding material form of this part of value is the means of labor (equipment and buildings) that are produced in the period to replace the worn-out fixed assets. The difference in material form between social final output value and net social output value (excluding things common to both such as all the consumer goods, the increase in the stock and reserve goods of the state and net export products) lies in the fact that the former includes all the fixed assets produced in the period, including the fixed assets used to compensate for the value of worn-out means of labor as well as the fixed assets produced as accumulation; while net social output value only includes a part of the fixed assets produced in the period, namely, that part of the fixed assets produced as accumulation.

It is precisely because social final output value differs from net social output value both in value and in material form, that these two integrated indexes are used to answer different questions. The former is mainly used to answer the question of how many products for final consumption and utilization of all the sectors have produced in the period; while the latter mainly serves to answer the question of how much new value or how much national income these sectors have in all created in the period. Therefore, these two indexes differ in their meaning and role. I think that in measuring the material resources produced in a period that are available for final consumption and utilization, in measuring the increment of the economic strength, and in planning and controlling the scale of investment in fixed assets, the range of increase in consumption funds, and the proportional relationships between the two, the index of final output value and its components in material form may be more useful than the index of net social output value or national income. My reasons are:

1. The value of the consumer goods purchased with the consumption funds in the national income or a period and the value of the fixed assets and additional stock and reserve of goods acquired by the accumulation funds all include the depreciation of the fixed assets that have been used in the production. This depreciation is the transference value of fixed assets that were produced before the period and needs to be compensated by the fixed assets that we have acquired with depreciation funds and invested in our production. Therefore, the accumulation funds in our national income include only the fixed assets that have been newly invested in the period, but it does not include the fixed assets that have been invested in our production with the

depreciation funds (namely the renewal funds). This means that the accumulation funds in our national income cannot reflect all the investment in the period, therefore, they cannot reflect in an all-round manner the newly increased material wealth or production capacity. However, the final output value includes all the fixed assets that have been newly invested in the period and that have been produced as renewal. Therefore, the proportions between consumption and investment in the final output value can more accurately reflect the distribution between immediate consumption and long-term allocation of the social production in a certain period and all the newly increased economic strength in the period than can the proportion between consumption and accumulation in our national income.

Perhaps, some comrades will say that since final output value includes depreciation, which is a transference value, there is still a problem of duplicated calculation. By duplicated calculation, we mean that the value produced in the year (or period) is repeatedly calculated. If the fixed assets produced in the year are put into operation and taken into calculation of depreciation for the same year and thus are included in the final output value of the year, indeed, this part of value will be repeatedly calculated. However, in fact, only a very small percentage of the depreciation is on this part of fixed assets and most of the depreciation is on the fixed assets produced in previous years, therefore, it is not the value produced in the period and thus there is no problem of repeated calculation in arriving at the output value of the period if we include depreciation in final output value.

[HK170902] Others will say that the fixed assets that have taken shape through investment with depreciation funds, are used to compensate the worn-out part of existing fixed assets; therefore, they cannot bring about any increase in our production capacity, and that only the fixed assets that have taken shape through the investment of accumulation funds can be regarded as newly increased production capacity. In fact, this does not give a full picture of the situation. For the production capacity of the original fixed assets does not decrease in proportion to the sum charged for depreciation funds. Usually, it is maintained and continues to be used in production through repair and maintenance, the expenditure of which is charged to production. Moreover, before a piece of equipment is fully depreciated, the depreciation funds on it are often used to purchase additional new equipment. What actually causes production capacity to decrease is the fixed assets that are scrapped and discarded every year. However, the value of these fixed assets is not necessarily equal to the total amount of depreciation charged in the year. Even if it is equal, under the conditions of technological progress, in terms of function, the new fixed assets produced for renewal with the depreciation funds certainly surpass and even greatly surpass, the fixed assets that they have replaced. However, the accumulation funds in our national income do not fully include the newly increased production capacity in these kinds of additional fixed assets.

2. In actual economic activities, it is difficult to make a clear distinction between the sources of the newly increased fixed assets in a certain period--whether a certain item of fixed assets is acquired by accumulation funds or by depreciation funds. As a matter of fact, both the central and local finances spend their revenue in accordance with their overall planning. The capital

construction investment (budgeted or not budgeted) allocated by them is not divided into the part that has come from net social income (taxes and profits) and the part that has come from depreciation funds. Even the renewal investment of our enterprises, an investment which in theory ought to come from depreciation funds, does not, in fact, all come from these funds. Some of the investment is allocated by financial departments, some comrades from retained profits or bank loans. Therefore, in each year, the actual amount of investment funds is not equal to the amount of accumulation in the national income. However, it corresponds with that part of investment (including both new and renewal investment) in the final output value that includes both depreciation funds and net social income. Therefore, in order to control the scale of investment in fixed assets or the increase in consumption funds, we would prefer to examine the proportion between consumption and investment in our final output value than the scale of, and proportion between, the consumption and accumulation in our national income. Similarly, in examining the question of whether the consumption funds allocated by our plan match the supply of means of consumption and the question of whether the investment in fixed assets allocated by our plan match the supply of means of production, the best way is to strike a balance between the final output value and the material components of the value and the possible supply of work in progress necessary for the production of various kinds of final products.

3. In order to examine the question of whether the concentration and distribution of the funds in our society is rational, we should calculate the percentage of financial revenue in our national income and discuss the question of how great a percentage is appropriate. However, as a matter of fact, the two do not correspond with each other. The financial revenue for a certain period does not come solely from net social income in our national income. A part of it comes from the depreciation of fixed assets. All these are constituent parts of final output value. Therefore, what corresponds with financial revenue and its distribution or, to be more accurate, what corresponds with total social funds and their distribution is not the national income and its spending and distribution, but the social final output value of the mix of its utilization.

[HK170903] 4. Viewed from its role in measuring and promoting the improvement of economic results, like net output value, final output value is the sum of gross output value minus the value of intermediate products, that is the consumption of materials and goods such as raw materials, therefore, it can reflect achievements in increasing production and practicing thrift. As an index to assess the performance of our enterprises, both the final output value and net output value can play a role in urging our enterprises to raise their economic results. As for the difference between the two indexes, namely, in calculating net output value the depreciation of fixed assets is deducted while in arriving at final output value it is not deducted, this does not make any difference in measuring and promoting improved economic results, because the amount of fixed assets used in production is fixed. No matter how the output value is calculated, depreciation is charged according to a fixed rate every year and must be charged in this manner. Therefore, this will not affect our enterprises in giving play to their initiative in raising their economic results. What affects economic results is the rate of utilization of fixed

assets, which can be measured by the ratio of net output value to funds employed or the ratio of final output value to funds employed. As the rate of utilization of fixed assets rises, both the ratio of net output value to funds employed and the ratio of final output value to funds employed will rise. Therefore, there is no difference in the role of the two ratios. Furthermore, from the point of view of macroeconomic results, the calculation of final output value which includes depreciation funds (for each enterprise, this means the calculation of the "added value," namely, the sum of the gross output value of the enterprise minus the consumption of materials and goods including raw materials without deduction of depreciation charge) plays a role in speeding up depreciation, the utilization of new technology, and the renewal of equipment. (Footnote 1) (Because increasing the rate of depreciation to speed up depreciation will lower the net output value of our enterprises, they will be unwilling to speed up depreciation, if their performance is assessed by net output value. The reverse will be the case if we use "added value" to assess the performance of our enterprises, because depreciation charge is not deducted in the calculation of "added value" and speeding up depreciation and raising depreciation rate will not affect the "added value" or our enterprises.)

5. Which index, net social output value or final social output value, is more appropriate for comparison between various countries? In view of their meaning and methods of calculation, the integrated indexes of national production used by our country's planning and statistical departments are basically the same as those used by eastern countries (Soviet Union and Eastern Europe). The major integrated indexes used by these countries are gross social output value and national income. Therefore, there is no difficulty in making comparison. However, the index system for assessing national economy used by Western countries differs greatly from our country's. For example, we all calculate national income, but there is a great difference between the meaning and methods of calculation of our country's and their national income. Therefore, in order to make a comparison, we must make quite a few readjustment calculations. For example, the figure for our country's national income does not include the value of service, while that of Western countries includes not only the net output value of material production sectors, but also the value of all service. Secondly, Western countries hold that the sum of the net output value of all sectors is not equal to national income and that only when indirect taxes are deducted from the value can the value be equal to national income. Therefore, we should make two kinds of readjustment. What is more important is that Western countries do not use national income but use gross national products (GNP) or gross domestic products (GDP) as major integrated indexes. Subtracting the value of service from GDP will give the figure of the abovementioned index of final output value. Therefore, only one readjustment is necessary for comparison.

[HK170904] Above, we mainly stressed the important significance in establishing an index of final output value for macroeconomic management. However, generally speaking, the three indexes of gross social output value, net social output value, and final output value each plays their own roles and have strong and weak points. They link and interact with each other in their application and calculation. They are all of great significance for our macroeconomic

planned management. What makes a difference between them is that the final output value and its components play a relatively more important role. Besides, in our country's planning and statistic systems, since the value of service is not included in the calculation of output value, this problem like that related to the index of final output value is still being much disputed in our theoretical circles. However, whether viewed from the need to make comparison between different countries or from the increasingly important position and role of our service sectors in our economic and social development, it is necessary to separately calculate the value of service as a reference. At the same time, in order to establish a more accurate and precise comprehensive index system for our national economy and provide data for the formulation of long-term plans, it has become increasingly necessary and urgent to develop the work of formulating tables of input and output.

The Key Task for Macroeconomic Planned Management Is To Maintain an Overall Balance of Our National Economy, the Core of Which Is To Maintain a Balance Between the Total Demand for and Supply of Social Final Products

Lenin said: "Constantly and consciously maintaining a balance means in fact acting in a planned manner." (Footnote 2) (Lenin: "Criticism of Noncriticism," "Collected Works of Lenin," Vol 3, p 566) Carrying out planned management over our macroeconomy is precisely aimed at constantly maintaining a balance in developing our national economy. Only by so doing can we make our national economy continue to develop in a proportionate and harmonious manner and can we achieve, on this basis, greater macroeconomic results and maintain a stable and relatively high growth rate. Therefore, satisfactorily maintaining the overall balance of our national economy is a key task in our macroeconomic planned management.

A major precondition for satisfactorily maintaining the overall balance of our national economy is to start from our country's national conditions, to formulate a correct strategy for our economic and social development and to make, under the guidance of this development strategy, a series of macropolicy decisions that conform to our national conditions and strength, to put forth the targets of economic and social development, growth rate, scale of, and proportion between, consumption and investment that must be attained in different periods of planning and formulate, on this basis, our long-term plans for economic and social development. Any mistakes in our macropolicy decisions will lead to serious dislocation and make it difficult and even impossible to achieve an overall balance of our national economy. This has already been proved by the historical experiences that we have gained since the founding of the PRC and it is not necessary for us to expound it in detail. The question that I am going to focus on discussing is how we are to satisfactorily maintain an overall balance of our national economy in accordance with the rational macropolicy decisions that we have already made.

The overall balance of our national economy includes many aspects, such as the overall balance of materials and goods, financial and credit funds, labor force, and international receipts and payments. To sum up, it is an overall balance of labor, material, and financial resources. However, what is the key link or, in other words, what is the nucleus or key to the overall balance in

this system of overall balance? I think that the key to maintaining an overall balance in our national economy is to constantly pay attention to and maintain the balance between the total demand for and supply of final social products in view of both their total quantities and mix (in other words the supply of the mix of final products should meet the demand for their mix).

[HK170905] As is mentioned above, the social final products for a certain period denote the products produced in the period that can be used for final consumption and utilization. They include all consumer goods (including those for the consumption of individuals and social bodies), the newly added fixed assets (including production and nonproduction fixed assets and the fixed assets from new investment and for renewal), the increase in the state's stock and reserve of goods and the net export (amount of exported products minus that of imported goods). What we call the total demand for social final products is the total amount of the demand for the abovementioned various kind of final products (mainly the demand resulting from consumption and investment), an amount which is fixed for the period in accordance with the requirements of the macropolicy decisions (requirements for insuring a certain degree of increase in our material production capacity as well as a certain degree of improvement in our people's material and cultural living standard). By the total supply of final products, we mean the total amount of the possible supply of the abovementioned final products (mainly the amount of possible supply of consumer goods and goods for investment), an amount which is calculated in accordance with the supply of production resources and the technological conditions in the planned period. In order to achieve an overall balance, we should first achieve a balance between the amounts of value of the abovementioned supply and demand. This means that the demand for final products arranged in the planned period does not exceed in its total amount of value the possible supply of productive resources in the same period, in other words, should match the strength of the state in the period. Only by striking a balance in their total amounts can we make necessary adjustment of the mix of demand and supply and make the two mixes match with each other.

Why do we say that the achievement of the balance between the total demand (and its mix) for, and the total supply (and its mix) of, social final products is the nucleus of and key to the achievement of the overall balance of our national economy?

First, because the total demand for final products and its mix directly embodies the requirements of macroeconomic policy decision. For example, in accordance with the strategic goal for our social and economic development, in light of the level of economic and social development achieved in the previous period, and in order to further satisfy the demand of our people's material and cultural life, we should decide the rate of increase in our per capita personal income and consumption. On this basis, we will decide the rate of increase in the scale of our housing construction, decide the scale of development of our science, education, culture and public health undertaking, and in light of the above, decide the rate of increase in the funds for our institutions and for our investment in capital construction and equipment. In order to further expand our production capacity, we should decide the rate of increase in the scale of our capital construction, particularly the scale

of key project construction, the scale of our investment in technological transformation and renewal of equipment, and the corresponding rate of increase in the state's stock and reserve of materials and goods. All these decisions are directly linked with the total amount of demand for social final products.

[HK170906] Second, once the total demand for final products and the mix of the major items of demand in the period of the plan is fixed, we can calculate, in light of the technological conditions of the period and the various kinds of data (such as material consumption and labor consumption coefficient) provided by the statistics in our input and output tables, the amount of intermediate products (raw materials, supplementary materials and goods, fuel and power) necessary in the various stages of the production of final products, the volume of transport and communications service, and the demand for various kind of labor force and scientific and technological personnel. Then we will estimate whether the sectors that produce these intermediate products can satisfy the demand in the period through making efforts (for example, adopting measures to readjust their production mix, increase production, and practice thrift), and find the weak links in the sectors. If we find that the demand exceeds the possible supply of production resources in these sectors and thus these sectors cannot satisfy the originally planned total amount of the demand (and the mix of the demand) for final products, we should control and reduce the total amount of the demand for final products arranged in our original plans and once more readjust the scale of, and the proportional relations between, various components of the demand. At the same time, we should concentrate necessary strength to overcome key weak links in the supply of production resources and repeatedly try to strike a balance until the supply matches the demand. Therefore, grasping the balance between the total demand for, and supply of, social final products in the planned period both in terms of their total amounts and mix of major items facilitates achieving an overall balance of labor, material and financial resources. For a period in the past, because we lost control over our capital construction and over the increase in our consumption funds, a shortage in the supply of materials, goods and commodities emerged in our market. This was precisely because we failed to grasp the balance between the total demand for and supply of final products and between the major mix of the demand and supply.

Third, regarding the balance between the total demand and supply of final products and between the major mix of the demand and supply as a nucleus of, or key to, the overall balance of our national economy can more directly show the necessity and importance in grasping the concentration and distribution of social funds. In order to satisfy the total demand for social final products, we should first pay in currency with our funds for (the purchases of and investment in) various constituent parts of the demand. This means that we must first have resources of funds. For our staff and workers, they need wages, bonuses, and allowance to pay for the consumer goods that they purchase for their own; our peasants and individual traders must get the net income of the sales of their products; and our social organizations must be allocated their funds. In order to invest in their fixed assets and increase their stock of goods and reserve, our enterprises must have their funds, which may be allocated by the budget of the state, charged as depreciation, raised by

enterprises on their own, or borrowed from banks. Our state (central and local governments) must have financial revenue (taxes and profit delivery) and when it lacks funds, it has to issue bonds or borrow from the state bank. Moreover, in a situation of opening up to the external world, utilizing foreign capital is an important source of funds. In short, in order to satisfy or control the total demand for social final products and strike a balance between this demand and the general supply of final products, we should grasp the sources of our funds, do a good job of the concentration and distribution of our funds and thus pursue an overall balance of social funds. In order to increase the general demand for final products, we should expand the sources of social funds; in order to control the consumption demand, we should control the increase in the income of currency of our staff, workers, and peasants and the general expenditure of our finance; and in order to control the scale of fixed assets investment, we should control the intra- and ultra-budget investment funds allocated by the state (central and local governments), control bank loans and control the spending of the funds in the hands of our enterprises. In order to insure the construction of our key projects, we should adopt measures to concentrate necessary funds. In short, we should make efforts to strike an overall balance of the income and expenditure of our social funds (including the funds of our finance and credit, the funds in the hands of our enterprises, and the bank deposits of our residents) and rationally concentrate and distribute these social funds. From this, we can see that regarding the balance between the general demand for, and supply of, social final products both in their total value and in their mix of components as a nucleus to grasp, will correspondingly lead to a practice of attaching importance to the overall balance of social funds. The two kinds of balance interact and form the foundation for the achievement of an overall balance of our national economy.

[HK170907] The Macroeconomic Plans and Microeconomic Plans Must Closely Match and Coordinate With One Another

The macroeconomic planned management which takes the balance between total demands for, and supplies of, social final products and between the mixes of demand and supply as the core, generally includes the total amount and growth rate of gross social output value, the social final output value, and net social output value (national income), the scale and proportion of various components of the final output value and particularly the scale and proportion between consumption funds and investment in the fixed assets, the proportion between production and nonproduction investment in fixed assets and the proportion between the investment for our capital construction and investment for renewal and transformation. The macroeconomic planned management also includes the raising, concentration and distribution of social funds, the planning for financial revenue and expenditure, for providing and recovering credit funds, for currency circulation and for international receipts and payments, and the required index of our macroeconomic results. If the macroeconomic planned management which includes these contents conforms to the requirements of macroeconomic policy decisions and is suited to our national strength in the planned period and to the possible supplies of our production resources, it is itself rational and conforms to the demand for striking an overall balance. However, even though these all-round indexes are all included in our

mandatory plans, they will still be achieved through three forms of management categories (mandatory, guidance and market mechanism plans) over the production and circulation of the products of various kinds of enterprises. This demands that the microeconomic plans and the indexes of macroeconomic plans must closely match and coordinate with one another.

As stated above, the microeconomic planned management is a foundation for macroeconomic planned management. In order to attain some of the abovementioned indexes of macroeconomic plans, we not only require the enterprises and sectors (such as the enterprises and sectors which produce consumer goods, machinery, equipment and appliances and construction enterprises and teams which undertake construction projects) which are directly engaged in the production of the final products, but also require the enterprises and sectors which provide the intermediate products (labor objects) for various stages of the production of final products, to carry out their production and circulation in accordance with the requirements of macroeconomic planned management. In the production and circulation which is within the scope of mandatory plans, we must fulfill in time and in the manner of insuring both the quality and quantity, the tasks stipulated by the state; in the production and circulation within the scope of guidance plans or within the scope of regulation of market mechanism, we must also apply various economic levers in order to enable the production and circulation to conform to the orientation guided by the macroeconomic plans and to indirectly bring them under the control of plans. At the same time, we also demand that all the circulation sectors such as the sectors of communications, transportation, goods and materials supply and commerce insure that the circulating channels are not blocked. Therefore, although the integrated indexes of macroeconomic planned management are mandatory in nature, they have mandatory or direct binding force only on the relevant organizations of planned management and other departments of comprehensive management (such as those of finance and credit) and they do not have direct mandatory binding force on the production and circulation of the various kinds of enterprises. Only by dividing up layer by layer the integrated indexes of macroeconomic plans and thus formulating the microeconomic plans, can we be able to exert through the three forms of management a direct or indirect binding force on the production and circulation of various kinds of our enterprises. At the same time, even if the microeconomic plans are carefully worked out and can closely match and coordinate with the macroeconomic plans, in the process of their implementation, many uncoordinated factors may emerge and thus cause a dislocation between the total amount and the mix of the supply of final products and the total amount and mix of the demand for final products. Now, I am going to try to elucidate this problem by means of listing the following instances as examples:

[HK170908] 1. If the enterprises and sectors which produce the intermediate products needed at various stages of our final products production before the process of production is completed, fail to fulfill the planned tasks because of all sorts of reasons, there will be a shortage in the supply of intermediate products. Thus the total amount of supply of our final products or the production of some parts of the final products is not enough to meet the demand. This will give rise to a dislocation.

2. There are problems in the production of final product itself. For example, some consumer goods are not marketable and their quality is poor, they will be stockpiled. On the one hand, it forces the other parts of our final products--stock--to increase beyond the planned target. On the other hand, it makes it impossible for us to satisfy the demands for consumer goods. Again for example, the investment in fixed assets fails to satisfy our demands because of the low efficiency in construction, the excessively long construction cycle, and the poor construction quality. This will also give rise to a dislocation.

3. The material consumption in our production of the final products exceeds the planned targets. In this case, even if the enterprises that produce the intermediate products can carry out the plan of supply, there will still be a shortage in the supply of intermediate products for the production of the final products and the planned targets cannot be attained. This will also give rise to a dislocation. Similar situations will also emerge in enterprises and departments that produce intermediate products.

4. If the malpractice of creating barriers in our system of management between departments, between areas, and between departments or areas cannot be overcome in time, it is impossible for a socialist unified market to take shape or for the circulating channels to be unblocked. As a result, there will be a dislocation between purchases and sales and there are difficulties both in purchases and sales. Even if, from the viewpoint of our production potentials it is possible to strike a balance, dislocation will arise in reality.

5. If the original structure of our industry and product mix are irrational and if there are seriously weak links in the processes of reproduction (such as the current shortage in energy production and communications and transportation capacity) and if we fail to firmly grasp these links as our key tasks of readjustment and fail to overcome them as soon as possible, it will also hinder the equilibrium between the total supply and total demand of our social final products.

6. The irrational price system is also an important factor that gives rise to the lack of coordination between the requirements of microeconomic and macroeconomic plans and thus makes our total social supplies unsuitable to the requirements of our society. This is very clear.

In short, these instances show that the microeconomic planned management and macroeconomic planned management must closely match, cooperate, and coordinate with each other in order to give full play to the initiative of our various kinds of enterprises under the guidance of our macro plans and within their respective scope of production and management and in order to improve technology and administration and economic results in these enterprises and to directly and indirectly fulfill the tasks of production and circulation which have a bearing on the achievement of our macroplan indexes. By so doing, we can strike an overall balance in our national economy taking the maintenance of equilibrium between the total supply and the total demand of our final products as the core and thus we can enable our national economy to develop continuously and in coordination, acquire comparatively better social economic results, maintain a steady and higher growth rate and achieve our strategic goal in developing our economy and society in the new historical period.

ECONOMIC MANAGEMENT

PRC ENTERPRISE CONSOLIDATION LEADING GROUP MEETS

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[Text] Beijing, 21 Jul (XINHUA)--The national enterprise consolidation leading group held a meeting on 21 July to especially discuss how to speed up the consolidation of small and medium-sized enterprises in the process of urban reform.

The meeting pointed out that the work to consolidate small and medium-sized enterprises, which involves a vast area and large numbers, has already been unfolded in various localities and units. But the progress is slow. Failure to take firm and effective measures to carry out consolidation this year will affect the work of party rectification at enterprises next year.

Responsible persons from the Liaoning Provincial Office on Enterprise Consolidation, the Wuxi City Economic Commission and the Shanghai Municipal Chemical Raw Materials Industry Company reported on the progress of consolidation in their enterprises. Their experiences can be summarized in the following three points: First, it is necessary to help small and medium-sized enterprises carry out the consolidation step by step in accordance with the actual situation of each enterprise. Second, it is necessary to conscientiously study new situations and solve new problems in enterprise consolidation in light of making reform by closely combining reform with consolidation, making overall and unified arrangements and carrying them out simultaneously. Third, it is necessary to make policy decisions that can promote consolidation and reform. For example, whether or not a small or medium-sized enterprise has carried out consolidation should be a prerequisite for instituting contracted responsibility system, entitling the power to promote 3 percent of the staff and workers, taking part in the competition for outstanding enterprise management and for trying out the system of the director assuming the responsibility of the enterprise and the practice of setting no ceiling for bonuses.

Zhang Yanning, responsible person of the national enterprise consolidation leading group and vice minister in charge of the State Economic Commission, affirmed the experiences of these three enterprises and called on all localities and departments to draw lessons from the experiences in order to successfully consolidate small and medium-sized enterprises in each locality or department. He pointed out a problem that merits attention,

that is, while making reform, leading comrades of some departments and enterprises neglect consolidation work. This should never happen. He said: Consolidation is the foundation and necessary condition for reform. An enterprise that has successfully completed consolidation can carry out reform more smoothly. Of course, any consolidation measure that is incompatible with the needs of reform should be rectified.

Zhang Yanning stressed: The work to consolidate small and medium-sized enterprises covers a vast area and large numbers. The education and professional competence of their leading bodies, in general, are low, their technical forces weak, and their basic management work poor. Therefore, to consolidate small and medium-sized enterprises, it is necessary to first readjust the leading body and then concentrate the efforts on improving the economic responsibility system, reinforcing basic management and raising the economic results of each enterprise. Departments in charge of small and medium-sized enterprises should help them carry out the consolidation by harnessing their enthusiasm instead of letting them go on their own way. In evaluating consolidation work it is necessary to adhere to the standard and check the work in a down-to-earth but simple way while guarding against formalism and overelaboration.

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ECONOMIC MANAGEMENT

HAN XIULAN: DIVERSIFIED MANAGEMENT FORMS

HK190731 Beijing JINGJI YANJIU [ECONOMIC AFFAIRS] in Chinese No 6, 20 Jun 84
pp 27-31

[Article by Han Xiulan [7281 1485 1526] of the Industrial Economic Research Institute of the Chinese Academy of Social Sciences, revised in April 1984: "Management of Industrial Enterprises Owned by the Whole People"]

[Text] The implementation of diversified forms of management by industrial enterprises owned by the whole people is a question thrown up in the present reform of the industrial economic system, and well worth researching. Practice in many regions has already proven that for industrial enterprises owned by the whole people to adopt different forms of management in different areas is an important way of promoting production development, improving the economic results of enterprises, and making the socialist economy prosper.

Basis for Adoption of Diversified Forms of Management by Industrial Enterprises Owned by the Whole People

The system of ownership and forms of management are related and yet also different. The system of ownership refers to ownership of the means of production and it determines the social nature of an enterprise. Forms of management refer to how an enterprise should be managed and in concrete terms it handles the relationship of duties, rights and interests between the owners and the managers. The system of ownership determines the nature of the form of management and the form of management is the manifestation of the system of ownership and it influences the consolidation and development of the system of ownership. However, we must not confuse the two.

During the present stage, ownership by the whole people in China is manifested as socialist state ownership. The state has the function of organizing the social economy and managing enterprises. However, there are a vast number of industrial enterprises, and production technology differs enormously. As the social productive forces develop and the people's demands diversify, the number and scale of enterprises will quickly speed up and increase. The state cannot directly command and control the production and management activities of all enterprises, thus only under the unified guidance of the state can decentralized and independent enterprise management be carried out. As a result it is necessary to correctly handle the relationship between "unity" and

"decentralization." There are many questions which must be solved such as how the state can lead different enterprises, how it can give them all different powers, how the duties, rights, and interests of the enterprises should be integrated and divided, and how profits or losses of enterprise management should be handled. If they are solved satisfactorily, then enterprise motivation can be mobilized and production development stimulated and thus the socialist production relations can be perfected.

In the past, under the highly centralized economic management system, enterprises owned by the whole people only had one form of management, namely a state monopoly on revenues and expenditures. Enterprises calculated their own profits and losses but were not responsible for them and thus the enterprises lay on the back of the state "eating from a big rice bowl." There was a lack of pressure or motivation to bring about technological progress, improve management and administration, develop production, or improve economic results. In order to change this situation the state expanded some of the autonomous management rights of some enterprises and then implemented pilot schemes such as retaining profits (retaining total profits, retaining excess planning profits, retaining base profits, and retaining increased profits), profit and loss contracts (profit contracts, contracts involving annually increasing profits paid to the state, loss contract) and, in particular the substitution of taxes for profits and sole responsibility for profits and losses. This played an important role in overcoming any former shortcomings of the economic management system and it mobilized production and management initiative in enterprises and workers.

The topic facing us today is to accurately assess our experiences in these areas and to uphold and develop diversified forms of management. The key is to admit and recognize that enterprises owned by the whole people are relatively independent managers of commodity production. While traditional views recognize enterprises as economic organizations able to carry out independent accounting, they do not recognize that enterprises are correspondingly independent managers of commodity production and thus there can be no question of implementing diversified forms of management.

[HK190732] This characteristic of enterprises owned by the whole people in the present stage of China's socialism, namely that they are relatively independent commodity producers, is limited by the law of value under the unified leadership and planned guidance of the state. The main reasons for the use of diversified forms of management are:

First, consistency and differences in the interests of the enterprises and the state exist. This is mainly manifested in the relationship between the economic interests of the state, the enterprises, and the individual workers. Ownership by the whole people of the means of production determines the consistency of the economic interests of the state, enterprises, and individuals. The relative independence of the enterprises determines the differences in the economic interests of the state, enterprises and individuals. This consistency demands that the enterprises complete state planning tasks and submit to the unified management of the state. The differences demand that the state recognizes and protects the economic interests of enterprises and individuals.

It also means that enterprises cannot eat out of the state's "large rice bowl" and that individual workers cannot eat out of the enterprises' "large rice bowl." The material interests of enterprises and individuals must be linked with the results of enterprise production management. By implementing diversified forms of management and using different kinds of profit and loss responsibility systems, it is possible to satisfy the unified demands of the state's and the enterprises' interests and also satisfy the differing demands of the enterprises' and the individuals' interests. Just as Comrade Mao Zedong said: "I fear that it is not appropriate to centralize everything under the central authorities or the provincial capital and thus not give factories any powers or any room for motivation, or any interests." "Every production unit should have a certain independence linked through unity, before it can develop in a more lively way." (Footnote 1) (Mao Zedong: "On the Ten Major Relationships," "Selected Works of Mao Zedong," Vol 5, p 273)

Second, the rights of ownership of the means of production and management and administration rights are divisible. The owner of the means of production can manage and administer directly or indirectly, or, while guaranteeing his own interests, he can transfer management and administration to another unit or another person.

As far as the division between the rights of ownership and the rights of management of enterprises under the socialist system of ownership by the whole people is concerned, some people call it direct possession and indirect possession, in other words the state indirectly possesses the means of production and the enterprise directly possesses them. The enterprises have the rights of utilization and management over the means of production. Other people believe that enterprises owned by the whole people only exercise rights of utilization, possession, and control over the property which the state has determined be given to them, and thus ownership of these enterprises is still the state's. Although opinions differ, everyone recognizes that the state can give the means of production to an enterprise collective to exercise management rights, in accordance with specific principles and the legal and policy stipulations of the state. After this, the enterprises are responsible for profits and losses and they achieve economic results depending on the quality of the management and administration.

Some comrades fear that the division of the rights of ownership and the rights of management in enterprises, and the implementation of a system of responsibility for profits and losses may lead to changes in the nature of the economy by the whole people. I believe that this will not happen.

First of all, in any social system the extent of management rights depends on the will of the master of the means of production. Feudal landlords rented land for the peasants to manage and they themselves took in the land rents but this did not influence the landlords' rights of ownership of the land. Capitalists give their factories to an agent to manage and this does not affect the capitalist's control of the enterprise and his seizure of surplus value. In a socialist society the rights of an enterprise are determined by the state and the independence of the enterprise is relative, while its management rights are limited.

[HK190733] Second, at the same time as the state empowers the enterprise, various kinds of administrative means and economic means are needed to protect the economy owned by the whole people from being violated. For example, according to demand, the state issues command commodity plans to the enterprises and controls the enterprise's direction of production. It stipulates that the majority of the enterprise's net income must be handed over to the authorities. The foreman is appointed after approval by the upper levels and not only is he responsible for the workers in his enterprise, he is also answerable to the state. Some of the plans for major technological reforms in some large-scale backbone enterprises must be ratified by the competent authorities, there can be no blind development. The means of production bought by the enterprise, and the collective welfare facilities set up by the enterprise, all done using retained funds, still belong to the state.

Third, democratic management must be exercised within the enterprises and the working masses have the right, as masters of the state and the enterprise, to take part in policy making and management, to keep a check on production and management activities, and insure that they do not deviate from the socialist path.

All of this illustrates that methods of management are merely a concrete manifestation of the nature of the ownership of the whole people of the means of production. These forms of management do not harm, rather they help consolidate and develop the economy under ownership by the whole people. Just as Stalin said "when the owner of the means of production--the state, hands over the means of production to an enterprise, it in no way loses its ownership of these means of production. On the contrary, it preserves its rights of ownership entirely." (Footnote 2) (Stalin: "Socialist Economic Questions in the Soviet Union," People's Publishing House, 1961, p 41)

Basic Principles for Determining Management Styles for Industrial Enterprises Owned by the Whole People

One complex question which requires research is what principles should be used to determine the management styles to be used in industrial enterprises owned by the whole people. The accuracy or inaccuracy of the principles is closely connected to the maintenance of the unified leadership of the state and maintenance of the management enthusiasm of enterprises. I believe that the general principle for enterprises implementing diversified forms of management should be that the forms of management must help maintain and develop the socialist economy under ownership by the whole people. Within this principle and no matter what kind of management the enterprises are implementing, they must all insure: 1) that the property and funds owned by the whole people are not violated; 2) that the command commodity plans issued by the state are completed on time, in terms of quality and quantity; 3) that all taxes and funds possession fees are handed over to the state on time; 4) that funds for retention are distributed and used rationally according to state policies; and 5) that accurate reports concerning the state of completion of economic and technological targets are made to the competent authorities and other management sectors and that investigation and surveillance of the enterprise's economic activities is accepted. Determining the state's form of management

of enterprises according to these principles makes it possible to clarify the state's leadership of the enterprise's economic responsibility and it also makes it possible to implement economic responsibility on the part of the enterprise towards the state.

When we stipulate enterprises' management styles according to the above principles we should also give full consideration to many other factors and stipulate concrete standards. Some comrades advocate that production and management methods should be drawn up according to the scale of the enterprise, the extent of socialization of production, and the position and role of the enterprise's products in the national economy. Some comrades advocate that the management styles should be determined according to command and guidance plans and market adjustments which the state exercises on the enterprise's products. Other comrades feel that the styles should be determined on the basis of the tasks and scale of the enterprise and the extent of management policymaking rights.

[HK190734] Because industrial enterprises are modernized large-scale producers using machines and machine systems, because the extent of production socialization is high and coordinated relations are complex, because the ways in which products meet the demands of state construction and the requirements of the people are all different, and because in addition the tax on profits created by the industrial enterprises is also an important source of financial revenue for the state, I believe that, in determining the style of management of an enterprise, we cannot only rely on one single factor, nor can we take any one concrete factor and turn it into an absolute. Rather we must consider all factors, weigh the pros and cons, and select the best. For example, when we divide up enterprises according to their size and scale, generally speaking large-scale enterprises have advanced technology and equipment and their degree of production socialization is high. In the case of some large backbone enterprises in particular, their products occupy important positions among all products available, while the taxes handed over to the state often equal that of several or several dozens of small- or medium-scale enterprises. Their production and economic results are directly related to the national economy and the people's livelihood. But this is not absolute. In some medium but specialized, and small but precision enterprises, the products supply not only the entire country, but are also for export and thus they occupy a very important position in the national economy. Again the style of planning management which the state implements for certain products in an enterprise are not fixed and unchanging. Generally speaking, the state's command plans for some major products in the country cannot be changed lightly or easily. However, in the case of some products the state may at some time issue command plans and then as production develops or demand changes and this kind of product becomes more available, these command plans may be changed to guidance plans. As far as products in market readjustments are concerned, since supply is greater than demand and in order to prevent repetitive production, limited production may be ordered. Furthermore, as far as individual enterprises are concerned, command planning or guidance planning cannot be implemented for all the products. In order to make comprehensive use of funds and meet the various demands of the people, some enterprises produce many kinds of products, of which the important ones may be subject to command planning,

while the other ones are subject to guidance planning or perhaps market adjustments. An enterprise's style of management is relatively stable and if the enterprise's style of management is determined on the basis of one specific factor, then production development might be harmed when this factor undergoes frequent changes.

Generally speaking the style of management in an enterprise requires an overall consideration of all factors and an evaluation of the enterprise's role in developing social production and improving social economic rights. The style of management should also be determined according to the principle of the integration of duties, rights and interests, in other words it should be determined according to how much management and policymaking rights the state and the enterprise will have as well as each one's responsibility towards profits and losses. Thus, whoever manages and makes policy decisions also is responsible for profits and losses. The greater the management and policymaking rights, the greater the responsibility for profits and losses.

Some Ideas About the Implementation of Different Styles of Management in Industrial Enterprises Owned by the Whole People

The basic direction of the implementation of different forms of management in enterprises is the implementation of a system of responsibility for profits and losses or the assumption of sole responsibility for profits and losses with differing conditions, and implemented to varying extents, in other words after the enterprise has handed over taxes and various fees to the authorities in accordance with the law, the profits retained are returned to the enterprise for distribution. [HK190735] With the exception of policy damage responsibility for all other damage and losses should be borne by the enterprises. It is not possible for all enterprises to use the same fixed mode for taking sole responsibility for profits and losses, enterprises should be allowed to use different methods and in this way avoid one cut of the knife. At present the three following models can be used:

The first model: The enterprise is owned by the whole people and major production and management activities are determined by the state, while a system of responsibility for profits and losses is implemented involving both the state and the enterprise. This model mainly applies to some large-scale backbone enterprises connected to the lifeline of the national economy and the people's livelihood. Some of the enterprises involved make minimal profits or permit policy-type losses. Their scale of production, management targets, and major profits for technological reforms are generally determined by the state. The state issues command commodity plans and furnishes the necessary material and technological conditions for the implementation of normal production activities and the state also takes corresponding responsibility for the enterprise's profits and losses.

The state and the enterprise are both responsible for profits and losses and the enterprise in no way eats out of the state's "big rice bowl." In order to insure that the enterprise takes responsibility for the economic results which arise as a result of its own management and administration, the quality of the enterprise's management and administration must be linked with its own

economic interests. Between the enterprise and the state and within the enterprise itself, it is necessary to establish a strict system of responsibility. The enterprise must carry out independent economic accounting so that every worker links his or her own economic interests with the quality of the enterprise's management and administration. If the enterprise suffers losses, the state adopts various measures to help and to avoid bankruptcy and affecting state construction and the people's livelihood. The foreman (manager) of the enterprise should be appointed by the state and should report at regular intervals to the workers' representative council, and accept surveillance by the masses.

The second model: The enterprise is owned by the whole people and it has some policymaking rights for major production and management activities. Individual responsibility for profits and losses is practiced to a certain extent.

The vast majority of enterprises in the country, large, medium and small can all carry out this form of management under the centralized unified management and planned guidance of the state. The state empowers all the workers in the enterprise owned by the people to carry out direct management and administration of the enterprise. The enterprise has some specific independent policymaking rights for production and management and is responsible for profits and losses. The state can issue command or guidance plans to this kind of enterprise and in the areas of manpower, materials and finance, as well as supplies, production and marketing, these enterprises have more autonomy than the first kind of enterprises cited. When losses occur in these enterprises, it is mainly the enterprise which is responsible and when necessary the state can help with readjustments or can extend support loans. If after loans and aid have been granted, the enterprise continues to make losses, the enterprise should then apply to or should be directed by the state to stop production and/or shift to another area of production. No matter what the reasons for the losses are, these enterprises may not make up the losses by using the state's fixed funds, circulating funds, or depreciation funds. In general the enterprise foreman should be recommended or selected by the worker's representative council and then approved and appointed by the competent authorities.

[HK190736] The third model: The enterprise is owned by the whole people and has complete autonomy in production and management activities and assumes absolute sole responsibility for profits and losses.

It is mainly rather small-scale enterprises with few funds, limited profits and losses which manufacture many kinds of small everyday products which adopt this model. In general, the state does not issue command or guidance plans to these enterprises. Supply, production and marketing all center around market adjustments and the enterprise practices independent management and is solely responsible for its profits and losses. Some of the enterprises using this model can, while continuing to preserve the system of ownership by the whole people, organize worker collective contracts or rentals, and while handing over taxes according to the law and after handing over contract fees and rental fees, can implement sole responsibility for profits and losses. In the case of certain enterprises, the state can use the one-time or installment repayment methods for funds, selling to all the workers in the enterprise and thus transforming it into a collectively-owned enterprise. If these

enterprises suffer losses over long periods of time, they should be allowed to eliminate themselves. The enterprise foreman can be selected either by all the workers in the enterprise or by the workers' representative council. The council can also advertise to fill the vacancy and report it to the competent authorities for the record.

In addition, in the case of a few enterprises in which technical reform tasks are enormous, such as the Shoudu Iron and Steel Company, state approval can make special allowances to permit a management style in which there is progressively more contracting for profits to be handed over to the state. These enterprises thus take sole responsibility for profits and losses.

In the above few styles of management the state's policymaking and management rights over the enterprises gradually decrease from the first model to the third, while the enterprise's individual policymaking and management rights gradually increase. Each model can, according to the reality of the situation, be further divided up into several concrete forms.

Guarantees for the Implementation of Diversified Forms of Management in Industrial Enterprises Owned by the Whole People

The style of enterprise management represents an important aspect of the perfection of the socialist production relations. No matter what form of management an enterprise is implementing, there is always a need for corresponding readjustments to the superstructure and the setting up of specific external conditions. The management and administrative system within the enterprises and the methods involved in such management and administration have to undergo reform as management styles change. This requires research into and solutions for the following few questions:

First, perfection of the taxation system. Reforms to the overall direction of an enterprise's management style implies the implementation of different kinds of systems of responsibility for profits and losses or acceptance of sole responsibility for profits and losses. Furthermore, it is necessary to perfect the taxation system so that the duties, rights and interests of every enterprise are unified and so that enterprises managed well can be sure of continued development. Furthermore it will promote advanced enterprises, and help make use of their own strength so that they follow the road of relying on technological progress in carrying out expanded reproduction. Those enterprises in which management is lacking or in which even losses are incurred must accept responsibility, including accepting the risk of elimination.

[HK190737] In order to insure that enterprises actively and effectively implement management and administration, the present reforms to the tax system should not only involve an accurate list of taxable items, there should also be a rational stipulation for the tax rate. If the tax rate is too high and the enterprise's losses are increased then there is a risk that too many enterprises may face elimination and this would be bad for the state, the enterprises, and for the workers. If the tax rate is too low then the majority of enterprises will find it very easy to make large profits with little effort and thus the advanced will not be stimulated and the backward will not be spurred

on. A rational tax rate should be able to guarantee the state's financial revenue and also insure a certain level of profits for retention by the enterprises.

Second, the establishment of a system of responsibility for the leadership bodies. Although enterprises which implement different kinds of management are responsible for profits and losses to differing extents, all enterprises should be corporate bodies, and the foreman is the representative of the enterprise corporate body. On behalf of all the workers in the enterprise, the foreman is answerable to the state for all the enterprise's profits and losses. Furthermore, when state policy and command errors cause economic damage to an enterprise, the departments which represent the state should also accept economic responsibility. Hence the enterprise should be led by one person and the responsibility for the enterprise on behalf of the state should be carried by this person. The competent authorities and relevant departments of the enterprise should reform the old concept which holds that the most ideal situation is when everything is managed by oneself. Powers should be handed down to the enterprise and the enterprise should be helped in using their powers well. A system of economic responsibility should be set up involving the individual leaders of the competent authorities and collective organizations. Necessary material and spiritual encouragement should be given to those units and leaders who serve the enterprises well.

Third, strengthen the enterprise management and administration mechanism. In order to insure that enterprise production develops, economic results improve and there is true individual responsibility for profits and losses, it is necessary to perfect the enterprise management and administration system and to implement more scientific management. First and foremost, it is vital to gradually reform the system of leadership within the enterprises, as the enterprises' styles of management change. Pilot schemes involving foreman (manager) responsibility systems should be implemented. Second, it is necessary to insure that the work of all the management sectors and individual production units of the enterprise economic system is thoroughly integrated. There should be vertical and horizontal coordination, mutual restrictions and mutual encouragement, and on this basis a management and administration system should be set up which corresponds with production development in the enterprise and which has special Chinese features. This will thus strengthen the vitality of the enterprise.

Fourth, perfection of the legal system. Reforms to the enterprise's style of management not only requires reforms to the existing economic management system, a greater amount of autonomy for enterprises, and solutions to many long-standing and difficult problems. It also means that something should be done to insure that the rational powers and methods which the enterprises, have are systematized and legalized. Rule by men should be changed to rule by law and legal and judicial work should be perfected so as to insure that the essential nature and position of the enterprise and its powers and duties are all legally guaranteed and that every management activity has a legal basis. This will help the state carry out effective leadership, guidance, surveillance, and investigation of the enterprises. It will also help the enterprises carry out management policies and organize production and management activities according to state stipulations. In this way there may be a reliable guarantee for the realization of diversified forms of management in enterprises.

ECONOMIC MANAGEMENT

ZUO MU: GUIDING THOUGHTS ON PRICE REFORM

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[Article by Zuo Mu [0146 3668]: "The Guiding Thoughts on Price Reform"]

[Text] Since the 1950's, the price structure and price control system of our country have been readjusted many times, but up to now no overall and systematic reform has been carried out. Following changes in the value content of commodities, the disparity between price and actual value has become exceedingly great and the comparative price relations between various kinds of commodities have become very irrational. This has hampered production, impeded commodity circulation, and is disadvantageous to the improvement of economic results. This irrational price structure has become increasingly unsuited to the rapid development of commodity production in the countryside and to the increase in the number of trial points in reforming the administrative system of cities and towns. It has increasingly and seriously impeded development of the economy, and has hampered setting relations in order and carrying out reform. At the same time, in the price control system there are still problems of an overcentralization and an insufficient division of power. Obviously it is necessary to do good preparation work and actively and systematically carry out reform. I shall present below my views regarding certain problems in the guiding thoughts on price reform for the purposes of study and reference.

I. The Target and Steps in Price Reform Must Be Within the Capacity of Finance and Society To Bear

In general, the problems in the price structure of our country may be divided into four parts, each of which has its own contradictions to resolve. They are: 1) The low level of energy and raw materials prices; 2) the general level of the state purchase prices of agricultural products is rational, but the internal comparative prices of agricultural products fluctuate and the selling prices are sometimes lower than the purchasing prices, thus resulting in the burden of financial subsidies increasing in severity; 3) the prices of industrially processed products along with communications and transportation charges tend to be higher in certain places and lower in other places, and the profit ratio of the funds of certain departments is as high as 30 percent, whereas in other departments it is only 4 percent, thus resulting in the enterprises differing greatly from each other in joy and sorrow; and 4) the charges collected by certain services trades tend to be too low, and some of

the trades have been operating in the red for a prolonged period of time and have to depend on financial subsidies for maintenance, and so on. All these problems must be gradually resolved. However, as to what extent these problems must be solved in the recent price reform, it is necessary to start from reality and take into consideration both need and feasibility. Speaking from the standpoint of need, the sooner these problems are solved the better, but in price reform there must be certain conditions. Large-scale and medium-sized price reforms must have the backing of financial power, the economic results from various sides must be improved to an obvious extent, supply of the main materials and necessities of life must be relatively plentiful, credits and loans must be basically balanced, and issuance of banknotes just to fill financial needs must be curbed. In addition, price control organs must be further strengthened, and there must be training of cadres for price control work, and so on. It must be said that at present we still do not have all these basic conditions. To carry out a large or medium-scale all-round and systematic price reform it is necessary to spend some time on making the above preparations. On the other hand, it cannot be said that in the near future nothing can be done in regard to price reform. For the present, on the one hand we can make preparations for an overall price reform, and on the other hand, within certain limits we can carry out certain necessary and feasible small changes and small reforms. As a result of the bountiful harvests in agriculture in our country for several years in succession, production of grain, cotton, edible oils, sugar, tobacco, and major miscellaneous agricultural sideline products has been fairly plentiful and the supply of about 80 percent of the different varieties of light industrial consumer goods has equaled or even exceeded demand. All this constitutes an important material basis for immediately proceeding with partial price reform. Utilization of current conditions to carry out the necessary price readjustment within a small limit and thus solve the problem of the prices of certain products being seriously out of line with value not only will help to smooth out the economic relationships, but also can create conditions and accumulate experiences for an overall and systematic price reform from now on. In reality, it is a sort of preparatory work for the overall reform.

In stressing the preparation of the necessary conditions for a price reform, we are really starting from the actual conditions of our country. A very important condition determining whether or not price reform can reach the desired objective is whether or not we can control the scale of the rise in commodity prices. Currently we are confronted with a series of factors that are disadvantageous to price control: 1) The scale of capital construction frequently runs out of control, supply of energy and raw materials lags behind demand, there are budget deficits, and an abundant supply of banknotes exceeds market demand; 2) there is a generally low level of economic results; 3) there is a large population, market pressure is extremely heavy, and the great proportion of the salaries and wages of the staff is spent on the purchase of agricultural and sideline products and on the necessities of life. These products and necessities, due to the restrictions of natural conditions, can hardly achieve a large increase in production in the foreseeable future and their prices are precisely the most difficult to control. Aside from the low level of the salaries and wages of the staff, in the cities and the countryside there is quite a large portion of low wage-earners who can hardly

stand a rise in commodity prices; [HK241516] 4) the aging process of our society has begun. From various sides the number of people who have retired from the first line of production work has steadily increased. Since these people do not receive bonuses, they are the least able to withstand a rise in commodity prices. Because of the above, in past price readjustments the gross and eventual rise in prices was frequently higher than originally estimated. If on various sides, such as in finance and in the supply of material resources, the necessary conditions are lacking and we abruptly go ahead with an overall and systematic price reform, it will be difficult to achieve the objective of putting the economic relations in order. A poor job will give rise to new confusion in the price structure. We cannot afford to be careless in this regard.

II. The General Level of Prices Must Be Kept Under Control

Regardless of the scale of the reform, it is necessary to strive hard to keep the general price level under control. As for carrying out small-scale price readjustments, it is not only necessary but entirely possible to have the price basically stabilized. In order to achieve this, I believe that we must solve the following three problems:

1. We must rationally handle the price problem of energy and raw materials. There are historical and real reasons for the low prices of energy and raw materials, particularly coal, in our country. In actuality, production of energy and raw materials is a combination of natural productive forces and social productive forces, but is deeply influenced by natural conditions. Its organic composition is relatively low, but it is high in labor consumption and its labor productivity rate improves only slowly. At the same time, many of the mining establishments are located far from cities and communications trunk lines. Their burden of being "enterprises supporting society" is very heavy. The cost of transportation is also very high. Particularly in the case of coal, which comprises about 70 percent of our energy commodity, a large number of the mines are presently operating in the red. Hence, there is reason for theoretical circles and comrades in the departments concerned to demand an increase in the prices of energy and raw materials. The low level of prices of energy and raw materials and the state of prices being lower than actual value may be said to be an indebtedness carried over from the past. Undoubtedly, taking a long-term view, we should abide by the demand of the law of value and gradually clear this indebtedness. However, within the current period it would be extremely difficult to accomplish the feat of fixing the prices completely according to value or to the cost of production. We should act according to our capacity and should not try to reach our objective all at once. We should continue to subsidize those enterprises that should be subsidized. We should insure that the staff of those enterprises that have been in normal running order continue to receive a reasonable increase in their salaries, wages and welfare benefits. Many comrades are firmly of the opinion that the scale of the price increase in energy and raw materials should, in principle, be commensurate with the capacity to absorb such increases on the part of the processing industries and that we should basically avoid any adverse effects on fiscal revenue and on the retail prices of consumer goods. Certain necessary readjustments may be made in the internal comparative prices of agricultural and sideline products,

but in the near future there should not be any great change in the general level of the prices of agricultural and sideline products. These views are correct. They provide an important guarantee for stabilizing market prices.

2. In the case of prices of the products of the processing industries, some should be increased while some should be reduced. If we can manage to control the scale of the rise in the prices of energy and raw materials, then the front line of price reform may be said to have been stabilized. Once the front line is stabilized, we can freely proceed to tackle the problem of the prices of certain industrial products being either too high or too low. In the production of certain consumer goods, because of the slow rise in the labor productivity rate, the production cost, relatively speaking may increase. Hence their wholesale factory prices and retail prices need to be increased. For example, production of matches, soy sauce, vinegar, and bean products has for a prolonged period yielded only a small profit margin or even run into deficits. The enterprises handling them have operated in a difficult state and have lacked enthusiasm for their production. Production of these articles cannot increase and is unable to meet market needs. Continuing a situation of this kind will cause inconveniences for people's lives and ultimately may lead to public discontent. Hence it would be incorrect to argue that since these commodities are necessities of life with far-reaching influences, their prices should not be increased. Nor would it be correct to say that in order to seek a basic stability of prices there should not be any increase in price, interpreting in this way the price guideline or "basically stabilizing but rationally readjusting" as a guideline calling for a virtual price freeze.

[HK241518] On the other hand, those prices that should be reduced must be so reduced. There are certain industrial goods which in the past were priced as high-grade commodities and the profit ratio was rather high, but now they have become the people's daily necessities, their output has greatly increased, and their supply has exceeded demand. In such cases, the fixing of their prices should be made according to the average profit ratio in the market and their retail sales prices should be gradually lowered. Only in this way can we expand their market, promote competition in the quality of the products, and stop the blind development of these kinds of products. Because the prices of these products have stayed at a high level for a prolonged period, even the inferior enterprises producing them have gained rather large profits. A large portion of these profits has been derived from a false valuation at the time of price-fixing by the enterprises and hence to a large extent is unrealistic. The potential for their reduction is thus very great. Failure to reduce the prices when they should be reduced is not only injurious to production and circulation but also goes against the demands of the law of value and in the end will result in negative consequences. In several recent price readjustments a significant defect was that whereas those prices that should be raised were, those prices that were higher than the average rate of profit for social funds and that should have been reduced were not. Merely willing to raise prices while being unwilling to lower prices constitutes a tendency that must be avoided in the price readjustment work. Experience has shown that in order to maintain the basic stability of market prices, all that we should do is to control the price-raising of energy and raw materials to the extent that the processing industries can "digest" and absorb, systematically control the scale of the rise in the prices of agricultural and sideline

products, and readjust the prices of the processed products in such a way as to raise some and reduce others according to the circumstances while maintaining a steady balance between the two.

3. We must adequately employ the measure of "stimulating prices." In the event that the supply of certain products lags behind demand and there is a serious disparity between supply and demand, then the prices of these products should be raised rather substantially so as to encourage an increase in their output. In principle this is a tolerable measure. In recent years, in regard to such native products for export such as oils, tobacco leaves, and seaweed, this measure of stimulated prices has resulted in a sharp increase in their output within a relatively short period, thus reaping the anticipated effects. On the other hand, if it happens that because of the failure to make good use of the market mechanism resulting in poor or untimely regulation, and the failure to reduce the prices despite the supply of the products having far exceeded demand, then this will breed many adverse side effects. The rise in the general price level has a number of causes and the inadequate use of the measure of stimulated prices must be said to be an important one. In our country the system of planned economy is in force. Commodity production must follow planned guidance and we must avoid a random use of stimulated prices since this will only bring about the passive situation of a sharp increase in prices, a sharp increase in output, and supply far exceeding demand. It should be emphasized that the regulatory role played by prices in production principally lies in reflecting value, enabling labor consumption on the part of the producers to be adequately compensated, and enabling the producers and handlers of the products to reap normal profits. Use of stimulated prices should only be a temporary measure. When and if there is a balance in supply and demand, we should speedily lower the prices so that they conform with actual value. It would be incorrect to consider the reasonable lowering of prices as "breaking the promise to the people," or to resist making purchases rather than formally lowering the prices. To do so would only result in stagnant sales and stockpiling, in the products untimely deteriorating in quality, and finally in a forced reduction of prices or price reduction in disguised form. This would only harm both the producer and the consumer. It should be clearly stated that the indiscriminate use of stimulated prices or the failure to make a timely reduction of the prices when high price products have reached the stage of supply exceeding demand violates the law of value and brings about a market psychology that prices can only rise and not fall. This is harmful to the stabilization of market prices and must be strenuously avoided.

III. Price Readjustment Must Be Systematized: Attention Should Be Paid to an Even Balance of the Relations Between the Comparative Prices of Mutually Related Products on All Sides

The so-called irrationality in "price structure" is in reference to the irrational relations between the comparative prices of the various large categories of production of the various departments. Under capitalist conditions the relations between the comparative prices of various commodities are spontaneously formed through numerous exchanges in market competition and the market prices of commodities reach a relative balance after various price fluctuations above or below value. This is not so in the case of planned

prices. Planned prices are determined by the leadership organs on the basis of investigation and research. Planned prices have a compulsory and a stabilized nature. In the event of an erroneous policy causing a new irrationality in the comparative prices, there will be enormous passive effects on production and circulation, which cannot be rectified all at once. Hence, whether or not the relations between the comparative prices are evenly balanced is an important yardstick measuring whether the price readjustment is adequate or not.

[HK241520] Since the 3d Plenary Session of the 11th CPC Central Committee we have made many readjustments of the prices of agricultural and sideline products, subsidiary food products, textile products, fuels, and raw materials such as coal and pig iron. These partial readjustments have promoted the development of production and circulation and have reaped big results. However, certain errors have been committed. One of the defects is that in readjusting the prices of the commodities we have been treating the symptoms but not the disease. At times, whichever side was making the loudest outcry would be given a large scale of price increases, thus failing to pay due regard to the relations of comparative prices of all the parties concerned and thereby causing certain negative or passive effects. For example, regarding the comparative prices of cotton and grain, the price of cotton was originally a little too high. Following the readjustment in 1979 of the purchase prices, both grain and cotton were given a price hike of 20 percent each. As a result, peasants in many cotton and grain producing areas turned to planting cotton on fields suited to the planting of grain, while grain in these areas had to depend on resale to the place of production by the state and any insufficient portion had to be purchased from the cities at negotiated prices. This not only increased the long distance transport of grain, but also led to difficulties in regulating the varieties of grain products and in crop rotation. Moreover, because the rise in prices for excess purchases has not been rational, contradictions have arisen between the new and old cotton-producing areas. Originally the price of paddy tended to be on the low side while the price of wheat was even lower. Following the price readjustment in 1979, a substantial increase was made in the price of wheat, resulting in many paddy fields turning to planting wheat in lieu of paddy and in certain localities in southern China facing a shortage of rice. At the same time, regarding such matters as the comparative prices between pig iron and steel products, railway fares and highway fares, and comparative prices of fish and meat, problems of inadequate treatment and handling can be found. In addition there are cases in which the state purchase prices of certain products have been raised, but their marketing or sales prices have remained constant, thus making the purchase prices higher than the sales prices, leaving a sore spot in price reform. Seen from the experiences gained in the past partial readjustment of prices, it is necessary in the new price reform, particularly in making partial price readjustment, to do the utmost to put the relations between the prices of raw materials and the prices of processed industrial products in good order, as well as between the purchase prices and sales prices and between the prices of the various categories of products of the same department. Abnormally high and abnormally low prices and disparity in joy and sorrow must be avoided.

IV. Price Reform Must Be Changed Into a Force of Pressure To Promote Improvement in Economic Results on Various Sides

Reform of the price structure cannot increase or decrease the wealth of society, but has profound effects on the income of different classes of people (workers, peasants) and on people with different incomes. In order to overcome any imbalance in the division of benefits caused by price reform, it is necessary to set aside a sinking fund or reserve fund for use in price reform. Generally speaking, price reform cannot lower the real income of the people, and this should be established as a fixed principle. Seen from the viewpoint of the state, the financial and economic conditions have not yet basically turned for the better. Hence it is not practical to expect the setting aside of a large amount of funds to support price reform. Since the interests of the public must be protected and the state cannot spend a large amount of money on price reform, what should be the solution? Basically, the solution lies in improving the economic results of various sides and in resorting to the measure of increasing production and practicing economic measures to fill up the cavity that can possibly be formed in the case of price reform. This should be confirmed as an important guiding thought.

Seen from the situation as a whole, our economic construction has not yet shifted to the track of taking improvement of the economic results as the center and the potentials of increasing production and practicing enough measures are still very great. Yet the development between different departments and different enterprises is still very greatly imbalanced. How much increased receipts can be made each year still depends on our own work. Speaking from the standpoint of the price reform, cost control is a most important aspect. At present, in the prices of our industrial products, the cost price on the average comprises 75 percent. Cost forms the foundation of the price of a product. In our price readjustment, when examining and assessing the cost, we should first strictly carry out the section on cost composition in the "Regulations on Cost Control of State Enterprises" promulgated by the State Council. At present many enterprises have been charging the full amount of bonuses and floating wages to the cost account, without differentiating between "V" and "M," thus raising the cost price and making it difficult to show real economic results. We are aware that the actual state of salaries and wages in the country is on the low side and that it is reasonable to enter into the cost account a portion of the bonuses (for example, bonuses not exceeding 2 months of the basic pay), but payment of more bonuses or of floating salaries and wages should be made from the "M" portion. These extra bonuses should be payable only from improvement of the economic results and should not be chargeable to the cost price. Delineation of the cost composition helps the enterprise to "digest" the raising of prices for energy and raw materials. Hence it embodies an important significance in economizing on the sinking fund for price reform. In examining the demands for price readjustment, this link should be tightly grasped.

Next, it is necessary to insist on determining the cost price on the basis of the average fixed consumption amounts of an advanced character. This will help to promote economy in the consumption of materials and live labor in the products of the enterprise units. As for the phenomena of certain units and

departments wasting funds and material resources, employing more people than actually needed, and laxity in observing labor discipline, these should not be acceptable in the accounts.

[HK241522] In order to make price reform truly a force of pressure for improving the results, it is necessary to improve the procedure of readjusting prices. Price fixing cannot wholly rely on materials from reports. It should be based on typical cases of sampling investigation materials from leadership structures. Readjustment of important prices must be supported by the necessary proof and evidence.

V. We Should Pay Special Attention to Reform of the Price Control System and Let Reform of the Price Structure and Reform of the Control System Proceed Simultaneously; the Phenomenon of Overcentralization and Overrigidity in Price Control Should Be Rectified

In recent years the power of price control on certain commodities has been released to a certain extent to the localities, and control of the prices of minor commodities has been basically laid aside. Obvious results have been achieved. Through freeing of the prices of minor commodities, both production and marketing have been enlivened. Generally speaking this has not resulted in any sharp rise in the prices of minor commodities. The problem now is how to make the price control system fit in with the principle of taking planned economy as the principal factor and regulation by market mechanism as a supplementary factor. Our planned control is in three forms; namely, mandatory planning, guidance planning, and regulation by market mechanism. In principle, whoever regulates the mandatory plan fixes the planned prices. When a price is insufficient to compensate for the consumption of labor, subsidy must be given or permission given for a definite degree of fluctuation. In carrying out guidance planning, the main economic tactic concerns the prices. If the prices are not enlivened, then guidance planning frequently misses its guidance role. Moreover, whether or not the guidance planning itself is correct still needs to be examined by the reactions of the market. Hence, those organs receiving the directives of guidance planning should be provided with a certain leeway in price control, thus to give the prices of those products whose production and circulation are organized in accordance with guidance planning a definite degree of fluctuation. For this reason the price-fixing power of the central cities and towns must be enlarged. As for products whose production and circulation are organized wholly in accordance with market demand, the central cities and towns and the enterprises concerned must be given more price-fixing power. Reform of the price structure will increase the pressure on the enterprises, whereas reform of the price control system must provide the enterprises with vitality. Given pressure alone without being provided with an increase in vitality, the enterprises will find it hard to bear. In order to bring the role of regulation by market mechanism into full play, the retail sale price of the same commodity not only cannot be unified throughout the country, but also for one county or even one city to have one single retail price must be described as irrational. Outside of the important commodities having a bearing on the national economy and the people's livelihood, which will require a unified wholesale price and retail price, commodities in general may have slight differences in their retail sales prices, be it in the place of production or place of marketing, in busy city centers, in quiet localities, in

state-run stores, in cooperative stores, or in trade centers. In certain cases ceiling prices may be fixed, below which up or down movements may be permitted. In so doing, it helps to develop necessary price competition, is beneficial to the commercial enterprises in bolstering their reputations, and is also helpful to improving the wisdom and talent of the buyers of commodities, strengthening their power of assessing the quality of products, and in their selective purchases. Therefore, with the exception of the prices of commodities that have a bearing on the national economy and the people's livelihood and whose supply lags behind demand, price control needs to be further relaxed, and at the same time the supervisory system of market prices must be perfected.

When discussing price reform, everybody seems to pay more attention to the problem of the irrationality of the relations of comparative prices and does not pay sufficient attention to problems on the side of the system of control. One reason for this is that there are not many contradictions directly reflected on the side of the price control system. In reality, the current confusion in price structure is closely related to the overcentralization of the power of price control and there is a causality between the two. Hence reform should proceed simultaneously on both sides. On the one hand, administrative measures must be resorted to in order to gradually readjust the planned prices of important products with a bearing on the national economy and the people's livelihood. On the other hand, following the reform of the planning system and the reduction in the scope of mandatory planning, the scope of planned prices should be correspondingly reduced. More use should be made of market mechanisms. We should bring about the union of the conscious use of the value regulations of the price organs of the state and the spontaneous regulation of the law of value.

CSO: 4006/669

ECONOMIC MANAGEMENT

BRIEFS

HUNAN ENTERPRISE DEFICITS--The number of industrial enterprises in Hunan Province which incurred losses in the first half of this year was 3.5 percent less than in the same period last year, and the amount of losses was reduced by 4.96 percent. Xiangtan city, Yueyang city, and Changde Prefecture each reduced the amount of losses by over 30 percent. Zhuzhou city and Lingling Prefecture each reduced the amount of losses by 20 to 30 percent. Shaoyang city, Huaihua Prefecture, Loudi Prefecture, Chenzhou Prefecture, and Shaoyang Prefecture each reduced the amount of losses by 10 to 20 percent. The amount of losses in Changsha city, Hengyang city, Yueyang Prefecture, Yiyang Prefecture, and Xiangxi Tujia-Miao Autonomous Prefecture increased. The departments and companies in machinery, petrochemical industry, building materials, electronic industry, and medicine and their subordinate enterprises incurred no losses. The departments of metallurgical industry, coal industry, the second light industry, the National Defense Science and Industry Office, and the timber company reduced deficits. The first light industry department and the textile general company increased losses. [Summary] [Changsha Hunan Provincial Service in Mandarin 2300 GMT 16 Jul 84 HK]

CSO: 4006/676

FINANCE AND BANKING

HENAN CONCLUDES FIRST STAGE OF TAX FOR PROFIT REFORM

HK261208 Zhengzhou Henan Provincial Service in Mandarin 1230 GMT 25 Jul 84

[Text] The province has achieved initial success at the first stage of the reform of substituting tax payment for profit delivery. Six state-run industrial enterprises had carried out pilot projects for the reform of substituting tax payment for profit delivery by early 1983. After full preparations were made, the first stage of the reform of substituting tax payment for profit delivery was started throughout the province on 1 June 1983. The first stage of the reform involved 3,619 local state-owned enterprises, including 1,464 industrial enterprises and 2,155 state-owned commercial enterprises.

Practice in the past year or so has shown that the methods adopted at the first stage of the reform of substituting tax payment for profit delivery have much more advantages than other methods such as the system of retention of a fixed percentage of profit and the system of contracted profit quotas. Marked results have been achieved. These results have been shown in the fact that the relationship with regard to distribution of profits between the state and the enterprise has been fixed, enterprises have been pushed to adopt a correct orientation of business operation, and economic results have been improved. According to a statistical survey, the 1983 gross output value contributed by the local state-owned enterprises covered by the state budget increased by 7.7 percent over 1982, the value of realized profit increased by 46.6 percent, the value of paid income tax and profits turned over to the state increased by 26.2 percent, and the rate of profit derived from every 100 yuan of output value was 8.75 yuan, an increase of 39.5 percent. Enterprises have been pushed to improve their operation and management system and tap their own potential. As a result, they have succeeded in turning deficits into profits. The proportion of the industrial enterprises suffering losses among all the industrial enterprises covered by the state budget was reduced from 31.8 percent in 1982 to 10.7 percent in 1983. Meanwhile, the value of losses suffered by supply and marketing cooperatives at and above the county level was also minimized considerably.

Enterprises have been pushed to introduce technical transformation and to replace old products with new products, thus their adaptability to the changing circumstances has been strengthened. The ratio of profit sharing

between the state, the enterprise, and the individual has also been readjusted satisfactorily. As compared with the 1982 figure, the portion of the 1983 profit payment to the state derived from the increased profit made by the province's industrial enterprises covered by the budget increased by an amount of 119 million yuan, which accounted for 53 percent of the profit increase. At the same time, these enterprises' profit retention increased by 69 million yuan, which accounted for 30.2 percent of the profit increase; the portion shared by the individual accounted for 17.8 percent [as heard] of the profit increase. Thus, the principle guiding distribution laid down by the state was upheld and, by so doing, the state's financial revenue was steadily increased. An encouraging situation has emerged now, in which the growth rate of financial revenue exceeds the growth rate of production.

CSO: 4006/676

FINANCE AND BANKING

HEILONGJIANG VICE GOVERNOR SPEAKS ON SECOND-STEP TAX PAYMENT

SK300348 Harbin Heilongjiang Provincial Service in Mandarin 1000 GMT 28 Jul 84

[Text] In his summing-up speech given at today's provincial conference on the second step of substituting profit delivery with tax payment, Vice Governor Hou Jie pointed out that leading persons at all levels should regard second-step reform of substituting profit delivery with tax payment as a task of prime importance in the economic work, successfully carry it out in line with the unified plans of the State Council, and ensure that the second step begins on 1 October this year as scheduled.

On the significance of the second step of replacing profit delivery with tax payment, Vice Governor Hou Jie said: The second step should aim at fundamentally changing the relationship of distribution between the state and the enterprises and guarantee the steady annual growth of state revenue. It should help promote reform of the urban economic system, competition between enterprises, and the role of financial, tax, and monetary departments as economic levers.

On the scope of the second step work of the province, Vice Governor Hou Jie said: The second step of substituting profit delivery with tax payment should be carried out by all the province's state industrial, communications, material, urban public facilities, commercial, grain, cultural, and educational enterprises. Basically speaking, enterprises of the second light industrial bureau, township collective enterprises, and grassroots supply and marketing cooperatives will not be involved. These enterprises and cooperatives should pay the new eight-grade excess progressive tax instead of income tax.

CSO: 4006/676

FINANCE AND BANKING

HUBEI SETS 1 OCT AS TAX FOR PROFIT SECOND STAGE

HK270845 Wuhan Hubei Provincial Service in Mandarin 1100 GMT 26 Jul 84

[Text] As of 1 October, our province will carry out the second stage of the reform of substituting taxes for profits. The purpose of this reform is to solve once and for all the problem of enterprises eating out of the same big pot of the state, and to create conditions for solving the problem of workers eating out of the same big pot of enterprises.

A meeting being held by the provincial people's government on substituting taxes for profits began yesterday. In accordance with the arrangements made by the State Council and practical conditions in our province, the meeting will specifically study the work of making arrangements for the second stage reform work of substituting taxes for profits for more than 10,000 state-run enterprises in the province. Vice Provincial Governor Guo Zhengqian attended and delivered a speech at the meeting.

He pointed out: Some comrades are currently worried about the following two things with regard to the second stage reform of substituting taxes for profits: 1) They are worried about the reduction of the retention of profits by enterprises; and 2) they are worried about the weakening of local financial power. These two things were taken into consideration while working out plans for the second stage reform of substituting taxes for profits. Rational retention of profits by enterprises will be guaranteed. In the meantime, the reform does not deal with the financial structure. Therefore, instead of being worried about these two things, we should rest assured. Only by carrying out the reform of substituting taxes for profits can enterprises truly run their management independently and assume sole responsibility for their profits or losses. Grasping this work well will play a positive and promotional role in increasing industrial production and comprehensively enhancing economic results in our province.

CSO: 4006/676

FINANCE AND BANKING

HUBEI FINANCE DIRECTOR EXPLAINS TAX SYSTEM REFORM

HK270802 Wuhan Hubei Provincial Service in Mandarin 1100 GMT 25 Jul 84

[Excerpts] Provincial Finance Department Director He Fulin gave an interview to this station's reporter to answer questions on the second phase of reform in the substitution of tax payments for profit delivery.

[Begin recording] [Reporter] Comrade He Fulin, what is the basic content of the second phase of reform of the substitution of tax payment for profit delivery?

[He Fulin] It is to levy a variety of stipulated taxes at the prescribed rate on the income of state-run enterprises that they have not delivered to the state and to allow these enterprises to dispose of their own after-tax profits. The kinds of taxes that are stipulated to be levied on enterprises at this phase are the output-value tax, added-value tax, turnover tax, (?salt) tax and enterprise tax. An income tax will be levied on state-run enterprises that earn profits and a readjustment tax will be levied on large and medium-sized enterprises.

[Reporter] Comrade He Fulin, at present some people think that the relatively large number of kinds of tax reflects the fact that the state wants to get more from the enterprises, and it is a practice of killing the hen to get the eggs. Are these people right in so thinking?

[He Fulin] This is a type of one-sided view. The levying of the second phase of taxes to replace profit delivery increases the expenditures of our enterprises, but the amount of taxes actually levied on an enterprise is not so large as they think. For example, if a product tax has been levied on the products of an enterprise, no added-value tax will be levied on the products. Generally speaking, only three or four kinds of taxes are levied on an enterprise. The implementation of the second phase of the reform to substitute tax payment for profit delivery to the state not only will not increase the burden on enterprises in our province, but will enable them to retain a greater portion of their profits. The base for calculating the readjustment tax on our enterprises is the profits earned by them in 1983, and this will not be changed for a certain period of time. The enterprises will get 70 percent of the increase in their profits and the state will get

only 30 percent. Therefore, the better the management of an enterprise, the more the profits it can retain.

[Reporter] This explanation of yours will make our enterprises rest at ease. Thank you. [end recording]

CSO: 4006/676

FINANCE AND BANKING

XINHUA DESCRIBES CHINA'S INSURANCE SERVICES

OW240452 Beijing XINHUA in English 0227 GMT 24 Jul 84

[Text] Beijing, 24 Jul (XINHUA)--The Chinese People's Insurance Company operates nearly 80 domestic and international insurance services, covering more than 400 billion yuan (U.S.\$200 billion). An official from the company told XINHUA this today when explaining the regulations now under formulation concerning insurance management of units and insured individuals.

International services, more than 30 of them, include insurance of cargo shipment, petroleum exploitation, Chinese-foreign joint ventures and political investment risks.

More than 1,600 branches have been set up at home and abroad, with a staff of 20,000, of whom more than 600 are working at 21 branches abroad. The insurance company also has three sections jointly managed with foreign counterparts.

The restoration of domestic insurance services in 1979 has played a positive role in helping build up China's economic compensation system, guarantee normal production and management of enterprises, stabilize people's lives and reduce the cost of social services, the official said.

For example, he added, nearly 400 million yuan (U.S.\$200 million) was paid out in the 2 years 1981 and 1982 when Sichuan, Hubei, Liaoning and other provinces and municipalities suffered serious flooding.

At present more than 330,000 people throughout the country have taken out group or individual insurance policies. Property insurance mainly covers 800,000 trucks, 2.8 million households and 23,700 vessels.

CSO: 4020/160

FINANCE AND BANKING

BRIEFS

GUANGDONG TAX REVENUE--Revenue from industrial and commercial taxes in Guangdong in the first half of the year amounted to 2.16 billion yuan, representing 56.5 percent of the year's plan and showing a rise of 14 percent over the same period last year. [Summary] [Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 23 Jul 84 HK]

SHANDONG TAX SYSTEM RESULTS--Since the implementation of the system of substituting taxes for delivery of profits on 1 June 1983, the output value of industrial enterprises has increased 7.95 percent, profits 11.27 percent, and taxes and profits handed over to the state 12.28 percent, over the previous year. The freight volume of transportation enterprises increased 11.5 percent; profits, 14 percent; and taxes and profits handed over to the state, 8.7 percent. Commercial enterprises increased profits by 10.7 percent, and taxes and profits handed over to the state, 4.16 percent over the previous year. [Summary] [Jinan Shandong Provincial Service in Mandarin 2300 GMT 26 Jul 84 SK]

SHANDONG TREASURY BONDS--By the end of June, Shandong Province had overfulfilled the state assigned treasury bond subscription plan by 2.44 percent. About 55 percent of subscribers paid for their treasury bonds. [Summary] [Jinan Shandong Provincial Service in Mandarin 2300 GMT 26 Jul 84 SK]

CSO: 4006/676

MINERAL RESOURCES

PROSPECTS FOR UNDERGROUND OIL STORAGE IN COASTAL AREAS

Chongqing DIXIA GONGCHENG [UNDERGROUND ENGINEERING] in Chinese No. 4,
1984 p 1-3

[Article by Zhang Xiushan [1728 4423 1472]: "Inquiry into the Prospects of Construction of Underground Oil Storage in the Coastal Area of China"]

[Text] There are rich petroleum resources stored in the vast areas of the Bo Hai, East China Sea and South China Sea. In recent years oil exploration work has been steadily developed, and one after another proven oil and gas accumulating structures have been discovered. It can be envisioned that in the not too distant future our offshore oil fields will usher in a great new era in the development of oil field exploitation and construction.

It goes without saying that doing the preparatory work for the initial phase of offshore oil field exploitation and construction is of the utmost importance. A feasibility study of oil and gas storage systems for off-shore oil fields are just one of the tasks of preparation in the early phase. This paper will provide data for practical use in long range planning on the feasibility and necessity of underground water-sealed rock cavern oil reservoirs (below abbreviated as water sealed oil reservoirs) for the oil once it has come ashore; it will inquire into the prospects of construction of water sealed underground oil storage reservoirs in the coastal areas. Because the relevant agencies have made no organized professional surveys of our coastal areas to date, we are limited to using what regional geological, geomorphological and hydrogeological, and engineering geological data we have; and we are limited to using data accumulated in a few explorations for locations for coastal area water sealed oil reservoirs and some construction of water sealed oil reservoirs. Your comments and criticisms are welcome, both for errors in the paper due to the limitations of the data and for any other reason.

I. An Outline of the Construction of Water Sealed Oil Reservoirs in China, and the State of the Art in Technology

China was one of the first nations in Asia to import the new water sealed oil storage technology. Since the early seventies three water sealed oil reservoirs have been built, one large, one small and one medium size.

Partial construction has been undertaken on what will be a large water sealed oil reservoir. Nine or more others, according to incomplete statistics, have completed site selection work or have finished the preliminary survey, with the detailed survey and planning work awaiting the selection of the exact location.

As may be seen from the above outline of construction of water sealed oil reservoirs, China has accumulated rich practical experience in the areas of exploration, planning, construction and transport operations. These may be concisely summed up as follows:

A. Water Sealed Oil Reservoir Engineering Geology Surveys

On the strength of site selection, and post site decision surveys (including preliminary surveys, detailed surveys and construction surveys) for 13 reservoirs, and corresponding developmental scientific study of special subjects, we have a fairly good grasp of the key engineering geology and hydrogeology problems associated with water sealed oil reservoirs. In the fields of exploration technology and exploration equipment we have entered the first rank. Three large classes of rock have been encountered in reservoir construction: magmatic (mostly granites); metamorphics (principally migmatite); and sedimentary (not including soluble rock). As for the geographic location of water sealed oil reservoirs, most are coastal, one is inland, and they are found over a large area in Liaodong, Shandong, Zhejiang, Fujian, and Guangxi.

Beyond this, the Ministry of Petroleum Industry, based on a summary of the water sealed oil reservoir engineering geology exploration experience of this Ministry, is in the process of editing a Ministry Issued Standard, "Regulations Governing Water Sealed Oil Reservoir Engineering Geology Exploration Technology," to be published soon.

To sum up the above, while there are still certain topics which require deeper study, China is already self-sufficient in the area of water sealed oil reservoir engineering geology technology, and is able to jump ahead to a new phase.

B. Planning Work for Water Sealed Oil Reservoirs

From the point of view of the work of water sealed oil reservoir industrial design planning, and those parts of underground engineering concerned with earth construction planning and public engineering design required to complete the work, the modeling stage was wrapped up long ago, and we entered a new era of design work unique to us.

C. Construction of Water Sealed Oil Reservoirs

Definite progress has been achieved in the areas of cavern reservoir construction technology and technical administration. Fairly rich experience has been accumulated in the fields of: construction methods and mechanized

construction of man-made large scale cavern reservoirs; application and support of advanced construction equipment; vertical shaft sectional blasting and smooth-surface blasting technology; construction administration of gunnite anchor arm supports and poured liquid sealer plugs for water-filled cracks; and quotas.

What should also be pointed out is that, tempered through ten years practical engineering, a professional technical corps has been created, expert in water sealed oil exploration, design, construction and research work. Without a doubt they have laid down an excellent foundation for water sealed oil reservoir construction work now and in the future.

II. The Possibilities for and Necessity of Using Water Sealed Oil Reservoirs as Large-Scale Coastal Collection and Transshipment Reservoirs for China's Offshore Oil Fields

It can be concluded that in the future development of offshore oil fields, no matter what type of collection and transshipment scheme is adopted, the ultimate problem is that of bringing the crude oil ashore. After the crude comes ashore, one method is to ship the oil inland on pipeline systems; another is to reload it onto oil tankers for shipment. Generally speaking, the points at which crude oil will come ashore are limited to the coast near the offshore oil fields. For this reason, the oil reservoir located on the coastal land mass, whether it be an oil collection depot, a regulating depot, or an oil transshipment terminal, is indispensable.

When constructing such oil reservoirs the decision on type of storage will be based on the conditions and demands of the engineering geology of the landing point, the choice being among metal tanks, non-metal tanks, above ground tanks, half-buried or below ground tanks, underground water sealed rock cavern tanks, etc. The author believes when considering the type of oil tank, the decision must be made in accord with the engineering geology conditions of the construction site, and after comparing the technical and economical considerations. But because the water sealed oil reservoir possesses certain favorable characteristics recognized here and abroad, such as conserving the "three materials" (steel, lumber and cement), using little land, having strategic value, storing oil safely, not polluting the environment, keeping petroleum losses low, and requiring little construction capital, then as long as geological considerations permit, the first choice for large scale oil storage and transshipment depots should be water sealed oil reservoirs (the third part of this article will treat in some depth the proper engineering geology and hydrogeology conditions for the construction of water sealed oil reservoirs, as well as providing an overview of the geology and geomorphology of the coastal areas, the Bo Hai, East China Sea, and South China Sea). If in practice the landing points for crude oil from our offshore oil fields meet the conditions for the construction of water sealed oil reservoirs, and if we consider the whole set of good points of water sealed reservoirs, then the possibilities for and the necessity of water sealed oil reservoirs cannot be in doubt.

III. A Preliminary Analysis of the Geological Conditions for the Construction of Water Sealed Oil Reservoirs in China's Coastal Region, and a Look Ahead at their Prospects

I will begin with a discussion of the geological conditions that must be met to construct water sealed oil reservoirs, then make a concrete analysis of the actual geological conditions met in the coastal areas, and finally look ahead to the prospects of their construction.

A. Geological Conditions Required for the Construction of Water Sealed Oil Reservoirs

The engineering geology conditions demanded are not greatly different from those demanded in other types of underground rock construction. The location for the reservoir must meet the demands of regional stability, mountain stability and surrounding rock stability. Construction of high walled, large diameter reservoirs without masonry linings demand rock types which are very hard, have great strength, and are uninterrupted.

The hydrogeological conditions are also easily satisfied. They are: the oil storage cavern reservoirs must be designed to be located a definite depth below the underground water level, to ensure that cracks in the rock surrounding the cavern reservoir will always be filled with ground water, to have the aid of the ground water's hydrostatic pressure in sealing the petroleum inside the rock cavern; this is what is called "the conditions for water-sealing." The low water line or average water line (tide line) of rivers, lakes, or seas may be used to plan the underground water level. It is apparent that planning for the underground water level is easily determined.

It needs to be pointed out that although ground water is needed to fill up the crevices in the rock surrounding the cavern reservoir and create the "water sealing" action, it is to be hoped that there will not be too much water seeping in. An excessive amount of water seeping in indicates the rock body has too many cracks and is too interrupted, and does not meet the demands of engineering geology; moreover the activity of underground water may have a bad influence on the stability of the surrounding rock, increasing the work of containing the water with liquid sealers during construction, and increase the expense of draining the water during the period of operation. If water bearing cracks are not sealed up, excessive water drainage may concurrently take away too much heat (that is, from the crude oil), and so is uneconomical. According to relevant data from abroad, and to our own experience, when choosing a site from the point of view of hydrogeology, water seepage should be limited to no more than 50 cubic meters per day for every 50,000 cubic meters of storage.

Practice has indicated that there is a great deal of flexibility in the selection of sites for water sealed oil reservoirs; the site selection processes differs from other types of underground rock construction, such

as irrigation and hydroelectric engineering or mining, in that it is not affected by the strict limitations of mineral resources or related conveyance systems. The size of the rock body used in construction of this type of storage is also very limited. The principal cavern reservoir of a water sealed oil reservoir holding 600,000 cubic meters would use up a rock body with an area of no more than 200 x 400 square [sic] meters. Basically, if an area possesses the geological conditions for building reservoirs, then finding such a small area of rock for construction is no difficult matter, it is just a question of doing a little more geological investigation and exploration work.

B. Basic Outline of Coastal Geology and Geological Requirements for Building Reservoirs

As everyone knows, China's seacoast is long and her ocean areas are vast. There are three fringing seas, the Yellow Sea, East China Sea, and South China Sea, bordering the Pacific Ocean, and one enclosed sea, the Bo Hai. Thus when we give the geological outline and geological conditions for construction of reservoirs for the coastal areas abutting the oil fields of the Bo Hai, East China Sea and South China Sea, we are for all practical purposes including the entire coastal area of China.

1. Geomorphological Outline

Speaking generally, China's terrain is high in the West and low in the East, moreover, the altitude decreases in steps, and three distinct steps can be delineated. The eastern coastal region is the lowest of the continental steps. This step manifests the features of plains and low mountain ridges. On the northern shore of the Bo Hai there have developed plains at the mouths of the rivers emptying into Liaodong Wan. On the western shore are fluvio-marine plains. The Yellow River delta is on the southern shore. From Lianyung Harbor to Hangzhou Bay there are these developments: the old Yellow River delta; the great North Jiangsu plain; the Long River delta and the Hangzhou delta. On the North shore of the South China Sea there is the Pearl River delta. These plains and deltas make up the plain coast type of seacoast (also known as sandy coast). Other geomorphology seen along the coast is low mountain ridges with Cathysian and Neo-Cathysian mountain ranges as the main constituents. For example there are: the Liaodong Peninsula; Liaoxi upthrust area (from Qinhuangdao, to Mianzhou); Shandong Peninsula; and the coastal mountain ranges of Zhejiang, Fujian, and Guangdong. The coastal type of this low mountain ridge zone is mainly the mountain and estuary type, dating from the end of the Tertiary; as the ridges sank down the sea rushed in to form them; their geomorphological age is fairly old. This type of coastline twists and turns, has deep water and good harbors, so is a good area for building oil docks, and should be the place chosen for the landing point for crude oil during the explorations of offshore oilfields. Naturally it should be chosen for the target site for the construction of large scale oil storage and transshipment depots, i.e. water sealed oil reservoirs.

2. Regional Geological Outline

In East China, passing from North to South along the coast we encounter the following earth structures: the Zhongchao [normal] platform (including North China, the southern part of Northeast China, and Bo Hai and the Yellow Sea); the Yangzi [normal] platform (including Jiangsu and the southern Yellow Sea); the South China geosynclinal fold system (located south of the Yangzi [normal] platform); the South China Sea platform (that vast area south of Wuzhishan on Hainan Island including most of the South China Sea).

Speaking of the structural systems, most of them are Cathysian or neo-Cathysian; next in order are structures trending along the latitude lines, structures trending North to West, and structures trending along the longitude. Noteworthy is that the Cathysian system is mainly faulted structures with the accompanying activity of igneous intrusions. Intrusive action was most developed during the Yanshan stage. The occurrence of rock bodies is mostly controlled by the North to East and North Northeast fault structures. Yanshan intrusive rock can be divided into early and late ages, most was produced as batholiths or stocks. The Zhejiang-Fujian volcanic rocks are the transition belt for the coastal region intrusive rock; they are distributed to the North and South. It goes without saying that the wide distribution of these Yanshan intrusive rock bodies signals good prospects for finding rock bodies with the right characteristics for building water sealed oil reservoirs.

In addition, large areas of migmatites usually occur in the distribution of metamorphic rock along the coast. Among the migmatites, one with a high degree of metamorphosis commonly found is migmatic granite (marscoite) one of the better rock bodies for the construction of water sealed oil reservoirs. Of the volcanic rocks, found over a large area in Zhejiang and Fujian, the lava tuff has mineral make-up quite like granite; it is another rock suited to the construction of water sealed oil reservoirs.

3. Regional Hydrogeological Outline

Two main water bearing rock structures can be mapped out on the coastline from the Bo Hai to the South China Sea. They are the loosely organized water holding rock bodies (occurring in the plains, with a flow rate of 1 to 10 liters per second, or secondarily, higher than 10 liters per second, belonging to the void-water type); and the igneous and metamorphic water holding rock structures (occurring in the mountain and harbor regions, with a flow rate of greater than 1 liter per second, poor water retention, belonging to the crevice-water type, their flow rate is related to their lithology and structure).

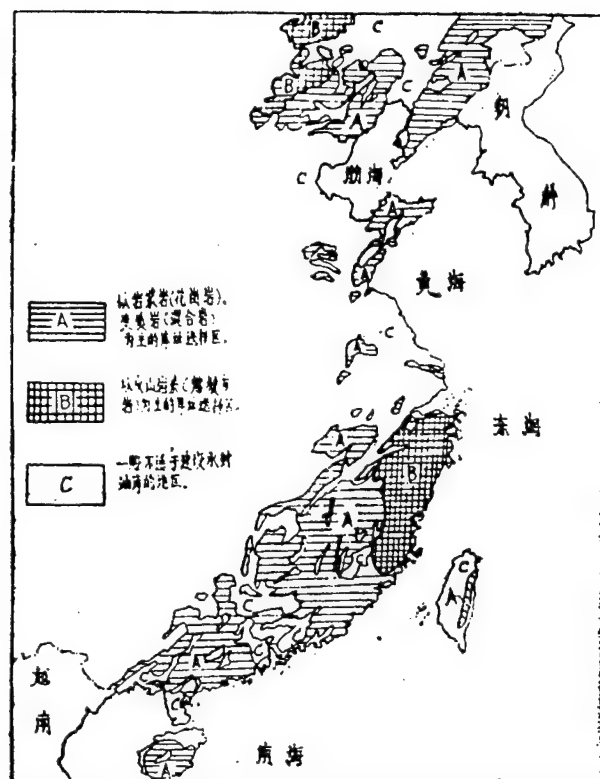
These two water holding rock structures are in the main supplied by aerial water, and all have mean sea level as their lowest drainage plane. So when building water sealed oil rock cavern reservoirs in these regions, determining the underground water level is easily done by determining the

elevation of low tide or mean tide, and this elevation is the most reliable to ensure the "water sealing conditions." The problem of water seepage into rock cavern reservoirs is also not hard to solve; avoid selecting a site that would open into a water holding belt, select a rock that has hair-fine crevices, and water seepage will then be kept within tolerance. But attention must be paid to the supply and drainage of crevice water in the rock body, especially the hydropower relationship of the crevice water in the rock body where the reservoir is constructed and the hydro-geological boundaries (particularly fault fracture zones with flowing water); and their effect on water quality and water table elevation for the design.

It is not hard for us to draw the following conclusions from this analysis of the conditions required for the construction of water sealed oil reservoirs:

First, China coastal regions may be divided into three sections according to their suitability to the requirements for the construction of water sealed oil reservoirs (see the map "Areas for Sites for Water sealed Oil Reservoirs in China's Coastal Region"). Except for area C, any place with a rock body that does not have earthquakes of level 9 or higher, is not over useful minerals, does not contain dangerous gases or radioactive elements in the rock can be chosen for a depot site and both long and short term planning for the construction of water sealed oil reservoirs may begin.

Second, the mountain-harbor coastal areas should be concentrated on in the development of geological investigation, and in particular, detailed research should be started on those deep water harbors which have the possibility of becoming landing sites for the crude oil. In this way the overall planning work will be on a sound footing, and at the same time, it will make possible the decision whether or not to build a water sealed type of large scale oil storage and transshipment depot.



Areas for Sites for Water Sealed Oil Reservoirs in China's Coastal Regions

- A. Depot siting areas composed chiefly of igneous (granite) or metamorphic (migmatite) rock
- B. Depot siting areas composed chiefly of volcanic (tuff) rock
- C. Areas generally not suited to construction of water sealed oil reservoirs

IV. Conclusion

Limited by the precision of the data and limited by space, this article can only be a general description and analysis of the geological requirements for the construction of water sealed oil reservoirs in coastal areas. But still we can see that most coastal areas do meet the basic geological requirements for site selection, and this should have real significance for long term planning.

Accordingly, the author would like to take this opportunity to suggest that the concerned sectors in the near future consider a program of investigation of the geological requirements for water sealed oil reservoirs. This investigation program could be limited to collection of data and field geological investigation, so would not require the use of prospecting techniques. Thus, as soon as an investigation group could be formed, not much more time would be spent in completion, and the financial expense would be sharply limited. If this proposal meets with the support of the concerned sectors, and is put in effect, we may anticipate great results for little outlay of effort.

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CSO: 4013/179

MINERAL RESOURCES

BRIEFS

LARGE BAUXITE DEPOSIT--Guiyang, 28 Jul (XINHUA)--A large bauxite deposit has been discovered in Zunyi County, Guizhou Province, according to the Provincial Geological Department. With a verified reserve of more than 100 million tons, the bauxite seam averages 4 meters thick with the thickest part 16 meters. About half of the bauxite deposit can be recovered by open cast methods. Geologists say the bauxite is of good quality and has low contents of sulphur, calcium, magnesium and titanium dioxide. [Text] [OW280802 Beijing XINHUA in English 0711 GMT 28 Jul 84]

GUIZHOU PHOSPHORUS BASE--Guiyang, 24 Jul (XINHUA)--Guizhou Province in Southwest China will speed construction of a large phosphorus base in the central part of the province, according to local government officials. About 770 million tons of phosphorus reserves have been verified in the Wengfu area and two phosphorus mines with an annual production capacity of 2.5 million tons will be developed there around 1985, as well as compound chemical fertilizer plants. At present the local phosphorus mines produce more than 700,000 tons of phosphorus a year. China is endowed with phosphorus resources, but ranks fourth in the world in terms of annual production output. But about two-thirds of China's farmland is short of phosphorus owing to an imbalance in chemical fertilizer production, the officials said. Apart from state investment, local raised funds, Guizhou will absorb foreign capital for the construction of the phosphorus base. Some large items of equipment for excavation, transport and processing will be imported from abroad. The area is well connected with highways and is near the Zhuzhou-Guiyang and Liuzhou-Guiyang railway lines in the south. Electrification of three lines is under way to double their transport capacity. These railway lines link Guiyang, capital of Guizhou Province, with Chongqing, in Sichuan Province, Zhuzhou, a transport hub in Hunan Province, and Kunming, capital of Yunnan Province. [Text] [OW241321 Beijing XINHUA in English 0932 GMT 24 Jul 84]

MINERAL RESERVES VERIFIED--Beijing, 24 Jul (XINHUA)--China has verified reserves of 136 minerals since 1949, an official of the Ministry of Geology and Mineral Resources disclosed here today. Big oilfields, including Daqing, Dagang, Shengli and north China, have been discovered and exploited. Coal reserves are estimated at 727 billion tons--487 billion tons more than was estimated in 1949 when New China was founded.

And China has one of the world's largest reserves of uranium, tungsten, tin, molybdenum, rare earth metals, titanium, antimony, mercury, lead, zinc, iron, gold, silver, sulfur, phosphorus, graphite, fluorite and magnesium. Copper, aluminium, manganese, boron, talcum and kaolin reserves are also placed high on the world list. Before 1949, only 18 mineral reserves were verified. [Text] [OW241424 Beijing XINHUA in English 1259 GMT 24 Jul 84]

CSO: 4020/160

INDUSTRY

FUJIAN INCREASES INDUSTRIAL OUTPUT IN FIRST HALF-YEAR

OW271105 Fuzhou FUJIAN RIBAO in Chinese 11 Jul 84 p 1

[Text] Spurred by party rectification and reform, our province achieved good results rarely seen in many years in industrial production and transport in the first 6 months of this year. Compared with the same period last year, the total value of industrial output increased 14.4 percent, while taxes paid and profits delivered by state industrial enterprises covered in the budget increased by 15.7 and 18.1 percent respectively. These three figures indicate simultaneous 2-digit percentage increases.

According to the statistics, the province's total industrial output value was 5,271 million yuan, constituting 51.7 percent of the annual plan. Among the province's nine prefectures and cities, Longyan, Fuzhou, Xiamen, Jianyang, Jinjiang, Putian, and Sanming achieved 2-digit percentage increases, with the increase for Longyan being 22 percent. Only Ningde and Longxi failed to make a 2-digit percentage increase. The increase for Longxi was 5.5 percent.

Among the 13 industries, the electronics, machine, building material, pharmaceutical, coal mining, shipbuilding, and first and second light industries achieved 2-digit percentage increases. The growth for light industry was 14.5 percent, and 14.4 percent for heavy industry.

Certain progress was made in the work of stopping deficits. Compared with the same period last year, deficits were reduced by over 20 million yuan, 59.7 percent of the total, in the first 6 months of this year, and the number of enterprises running in the red decreased by 119, 35.1 percent of the total. All major economic targets were fulfilled satisfactorily.

Party rectification has given a strong impetus to economic reform at industrial and transportation enterprises, while relaxation of restrictions and granting of greater decisionmaking powers to enterprises have provided them with more incentive, enthusiasm, and vitality. The nine documents issued by the provincial government on enlivening industrial and trade enterprises by means of specific and concrete policy measures have promoted change and reform at these enterprises. The units concerned at various levels have concentrated efforts on implementing these policy measures. As a result, the output of products included in the provincial plan, such as crude salt,

TV sets, recorders, polyester fiber, and microcomputers, increased several-fold, while the output of cigarettes, canned food, and iron alloy increased by more than 30 percent. All enterprises have paid keen attention to market sales and used economic information to open up domestic markets for unsalable export commodities. Contracted responsibility systems have been practiced in plants, workshops, and work groups and teams, breaking with the practice of "everyone eating from the same big pot" and firing the enthusiasm of staffs and workers.

It should be noted, however, that the rising production cost of comparable products of enterprises has not yet been reversed. Despite a successive monthly decline in the first half of this year, the production cost of comparable products was still 0.71 percent higher than that of the same period last year. Some enterprises failed to do a good job in coordinating production and marketing. Shortages of energy sources and raw and semi-finished materials may become worse and put more pressure on transportation in the second half of this year. Only initial results were achieved in raising economic efficiency. Much remains to be done in this respect.

CSO: 4006/676

INDUSTRY

SHIPBUILDING INDUSTRY DEVELOPMENTS RECEIVE AWARDS

OW220819 Beijing XINHUA in English 0757 GMT 22 Jul 84

[Text] Beijing, 22 Jul (XINHUA)--China's first semi-submersible oil rig and 213 other items of scientific achievements won the prizes given by the China State Shipbuilding Corporation here today. All these items were developed by Chinese shipbuilding specialists and technicians in the past few years.

The oil drilling rig, which won a special grade prize, can drill to a depth of 5,000 meters in sea areas where the water is 35 to 200 meters deep, and can withstand the attack of hurricanes and 18-meter-high waves. It has been delivered to the user for oil exploration in the East China Sea.

First prizes were awarded to a 3,000-horsepower diesel engine produced by the Hudong shipyard and a 27,000-ton bulk carrier designed by the China Ship and Marine Engineering Designing and Research Institute.

Noted for its low oil consumption and low noise, the new diesel engine was designed for passenger ships sailing China's inland rivers including the Yangtze. The 27,000-ton bulk carrier has found its way into international markets.

China now has more than 30 research and designing institutes engaged in the development of naval and civilian vessels, according to the corporation.

While stepping up its own efforts in scientific research, China's shipbuilding industry has imported 22 items of technology from Denmark, France, Japan, Switzerland and the Federal Republic of Germany since 1978. They have helped improve the production of engines, auxiliary machinery, passage-way equipment and sewage treatment facilities.

CSO: 4020/160

INDUSTRY

TIANJIN BOOSTS 'FLYING PIGEON' BIKE OUTPUT

OW270732 Beijing XINHUA in English 0723 GMT 27 Jul 84

[Text] Tianjin, 27 Jul (XINHUA)--The Tianjin bicycle factory has produced 9,100 "Flying Pigeon" models every day this month, setting a new record. This means the factory has turned out 360 more bicycles a day than at any time in the first 6 months of this year, which itself saw a 16-percent increase in output over the same period of 1983.

The factory has set its annual quota at 2.95 million for this year--200,000 more than required by the state plan, so as to meet the market demands according to officials of the factory.

Demand for quality bicycles is so high in China that the "Flying Pigeon," together with Shanghai's "Yongjiu" and "Phoenix" brands, are rationed and available only to buyers who can produce the necessary coupons at local bicycle shops and department stores.

In order to boost output, the factory began to practice a floating wage system from this month, whereby those who fulfill or overfulfill their tasks can receive wages one grade higher, in addition to bonuses, and those who fail to fulfill their quota will receive wages one grade lower.

The largest bicycle manufacturer in the world, China produces about 24 million units each year. An estimated 150 million bicycles are now in use nationwide.

CSO: 4020/160

INDUSTRY

BRIEFS

GUANGDONG FIRST-HALF STATISTICS--Guangdong Province's gross industrial output value in the first half of this year was 12.7 percent more than the same period last year. The province fulfilled 52.75 percent of its budgeted annual quota for revenue in the first half of this year, and the revenue in this period was 14.1 percent more than in the corresponding period last year. The state-run enterprises fulfilled 43.9 percent of the budgeted annual quota for profits submitted by them to the state and the profits recorded an increase of 25.9 percent over the same period last year. The province fulfilled 55.9 percent of the budgeted annual quota for the collection of the industrial and commercial taxes and the industrial and commercial taxes were 13.2 percent more than in the same period last year. Revenue in Guangzhou city in the first half of this year increased by some 84 million yuan. [Summary] [Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 12 Jul 84 HK]

HUBEI INDUSTRIAL PRODUCTION--Hubei Province's gross industrial output value from January to June this year amounted to 16,673 million yuan and was 10.8 percent more than the same period last year. The province fulfilled 49.89 percent of its annual quota for gross industrial output value. The profits submitted to the state by the industrial enterprises included in the budget in the first half of the year were 485 million yuan and recorded an increase of 23.9 percent over the same period last year. The province's revenue in the same period was 1,953 million yuan, an increase of 11.2 percent. However, the province's industrial output value was lower than the state's average level. Its light industry developed slowly. Sewing machines, watches, bicycles, cigarettes, and clocks did not sell well. Leaders at all levels and departments concerned must pay great attention to this situation and must take effective measures to change it. [Summary] [Wuhan Hubei Provincial Service in Mandarin 1100 GMT 8 Jul 84 HK]

XINJIANG INDUSTRIAL PRODUCTION--Xinjiang Region's gross industrial output value in the first half of this year was 2,638 million yuan, 48.85 percent of the annual quota and an increase of 8.83 percent over the same period last year. Of this light industrial output value was 5.85 percent more than in the same period last year and the heavy industrial output value was 11.5 percent more than in the corresponding period last year. Output of television sets, aluminum, calcium carbide, drugs, mica, and small rural water turbines increased by 100 percent. [Summary] [Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 17 Jul 84 HK]

CSO: 4006/676

TRANSPORTATION

GERMAN MINISTER WERNER DOLLINGER ON PLANS FOR TRANSPORT TECHNOLOGY AID

Duesseldorf VDI NACHRICHTEN in German 29 June 84 p 3

[Interview with Federal Transportation Minister Dr Werner Dollinger]

[Text] In response to an invitation from Chinese Transportation Minister Li Qing, Federal Transportation Minister Dr Werner Dollinger visited the PRC between 4 and 10 June. He was accompanied by renowned representatives of German industry and the transportation industry. The visit assumed political significance by virtue of the fact that Deputy Prime Minister Li Peng early in May submitted proposals to Dollinger in Bonn for intensive cooperation in all fields of transportation engineering and confirmed this cooperation readiness in Beijing. Federal Transportation Minister Dollinger discussed the development of the transportation industry in China immediately after his return from China with VDI-NACHRICHTEN.

VDI-NACHRICHTEN: Your predecessor was in China 3 years ago. At that time, intensive cooperation was agreed upon between both transportation ministries. Did anything come out of all of that?

Dollinger: An agreement was signed in 1981 with the Chinese Railroad Ministry on cooperation in the field of railroading. This was followed by active exchange of information. In 1982-1983, four partly very high-ranking Chinese student delegations visited the FRG and two groups of German experts went to the PRC. During consultations in November 1983 in Bonn, a series of additional mutual study and expert delegations was agreed upon for the year 1984.

VDI-NACHRICHTEN: China's transportation system is one of the big handicaps of the Chinese economy. Did you offer your Beijing colleagues any support in mastering transportation problems and what would this aid look like?

Dollinger: Deputy Prime Minister Li Peng who is responsible for transportation policy in the PRC during his visit to Bonn in May and now again in the

course of talks with us in Beijing pointed out that the main points of Chinese transportation policy include the expansion and modernization of the railroad system as well as inland navigation and coastal shipping. Indeed, the development of the transportation structure is the most important prerequisite for a general economic upswing. The Chinese leadership recognized this clearly and has established corresponding priorities in its policies. We underscored our readiness to help here and to make our technology and especially our experiences available. I offered intensive cooperation in all of these fields. It is now up to the Chinese government to make specific proposals. We were able to sign an agreement on cooperation in the field of inland navigation in Beijing through which the prerequisite is to be created for permanent cooperation, similar to the way in which this was done in 1981 in the railroading area. The Chinese expressly requested the dispatch of a group of German experts in order to support the possibilities of developing and improving the Hang River for navigation. Chinese interest in this area was particularly striking.

VDI-NACHRICHTEN: In contrast to the situation in the FRG, China's railroad system is not under the Transportation Ministry but under its own Railroad Ministry. Did you talk to China's railroad minister and what did you discuss?

Dollinger: I talked to the Chinese Railroad Ministry, specifically to First Deputy Minister Li Shen-mao. The German industry representatives used this opportunity to present their ideas about cooperation and submitted extensive cooperation offers. A third round of consultations has been planned for the end of 1984 and the beginning of 1985; according to the agreement we made in Beijing, it is to work out specific projects for railroad line improvement, for locomotives and cars, for switching and signal equipment, as well as for cooperation in third countries.

VDI-NACHRICHTEN: China's railroads are having great difficulties in the traction sector because the lines run through numerous high mountain regions with elevations of up to almost 3,000 meters, in connection with which the trains have to go through long tunnels with little air. The railroad's transport performance could be considerably improved with the help of the new locomotives, using three-phase drive technology, as developed by the German locomotive industry. Did you inform the competent ministers in China about these technologies and their advantages, especially for the Chinese railroad system?

Dollinger: I never got tired of making reference in talking to all of my conversation partners, but especially in the Railroad Ministry, to the advantages of the new locomotives which are equipped with three-phase engines and I saw to it that they would get technical explanations for this purpose. Because Deputy Chinese Prime Minister Li Peng during his visit to the FRG displayed interest in this technology, I'm sure that the decision-makers are also looking into this technology which offers considerable possibilities for China's railroads.

VDI-NACHRICHTEN: China's transportation system is now making efforts to push inland navigation. This calls for the expansion of the waterways network, often in combination with the construction of hydroelectric power plants; German knowhow could be particularly useful here also for China, for example, in connection with ship hoisting mechanisms, for the construction of canals for waterways, and the building of efficient inland ports. Was that topic also included in your program?

Dollinger: My visit made particularly clear the great significance which the Chinese leadership assigns to inland and coastal shipping. Chinese experts have for many years been looking at our well-developed waterways network in Germany and have been conducting technical talks with highly reputable firms. Deputy Prime Minister Li Peng told me in Beijing and even before that in Bonn that Chinese inland and coastal shipping is to be expanded much more forcefully. It was not by chance that the program of his visit to the FRG included the inspection of port and transloading facilities in Hamburg and Duisburg. Moreover, he was briefed on ship hoisting systems, on the expansion of waterways, and on modern inland vessels. In Beijing we have now been able to sign an agreement on future cooperation through which we have created a strong contract basis for collaboration in the area of inland waterways and inland navigation. I can detect considerable opportunities here for our experts and enterprises.

VDI-NACHRICHTEN: The Chinese are also very much interested in modern inland vessels, above all in powerful pusher tugs, as he merged during conversations with the Chinese delegations. Did you talk about that during your meeting with the Chinese experts?

Dollinger: The Chinese came up with the idea of founding a joint venture with German inland shipping enterprises. This tells us how important the expansion of inland shipping is to the Chinese. Here again we are ready to help.

VDI-NACHRICHTEN: In addition to the construction of new railroad lines and the modernization of inland waterways, high priority was assigned to the new construction and improvement of maritime ports along China's 18,000 kilometers of coastline. Will the government of the FRG, respectively, the Federal Transportation Ministry, commit itself to projects of this kind as much as the Japanese government which assumed something like sponsorship for the expansion of several ports in China that would then however also be of benefit to Japanese interests?

Dollinger: I have been following the new construction and expansion of maritime ports along China's long coastline with great interest. A denser port network and an improved port infrastructure would be good not only for the PRC but also for international maritime shipment and thus also for German-Chinese maritime traffic. German enterprises, especially port operations

consultant companies in the big German seaports are already active in the planning and expansion of Chinese ports and are working closely with the World Bank.

VDI-NACHRICHTEN: The problems of passenger commuter travel in China's metropolitan areas cannot be solved with the help of the bicycle in the long run. Did you also offer China's transportation minister technical aid for this branch of the transportation system?

Dollinger: With its well-developed passenger commuter transportation network in the metropolitan areas, the FRG can give the PRC experience and knowhow in this field likewise. We were in a position to leave them documentation on suitable systems and to offer our experiences and technologies. In view of the special structures of the big Chinese cities, it seems to me that cooperation is also promising in this sector.

VDI-NACHRICHTEN: In the future, China would like to build super highways based on the German model. The super highway between Beijing and Tianjin is being talked about as the first super highway. Did you offer our knowhow and did you talk about the possibilities of financing with German support?

Dollinger: We have a positive attitude toward inquiries from the PRC regarding knowhow for super highway construction and we are ready, together with the appropriate government and private agencies, to talk about suitable financing possibilities. Upon the express wish of the Chinese, we agreed to arrange, in autumn of this year, talks with planning and construction experts for a group of Chinese experts in the FRG and to get them together with the appropriate agencies on the subject of super highway maintenance.

5058

CSO: 3620/375

TRANSPORTATION

GERMAN COOPERATION SOUGHT FOR HIGHWAY, RAIL DEVELOPMENT

Duesseldorf VDI NACHRICHTEN: in German 29 Jun 84 p 1

[Text] Representatives of German industry submitted far-reaching cooperation offers and technology transfer to government agencies in the PRC. The possibility for talks on the ministerial level was offered to them by Federal Transportation Minister Dr Werner Dollinger whom they accompanied to Beijing and Shanghai (see page 3 [of original]). In addition to the most modern railroad three-phase engine technology, train control systems, as well as signal and communications technology, the Chinese are also interested in German superhighway knowhow.

The decision-makers in the Chinese transportation system proved to be surprised by the specific proposals and far-reaching cooperation offers submitted by representatives of German industry and expressed their satisfaction. They also displayed great interest in German support for the construction and maintenance of superhighways. Engineer Li Zhenjiang, of the main division for highway systems in the Beijing Transportation Ministry, would like to avail himself of the help promised by Minister Dollinger soon and send experts to the FRG for study purposes. The Chinese experts want to be briefed on all machinery and installations required for the construction and maintenance of superhighways.

During the talks in Beijing, BBC [Brown Boveri & Cie.] specifically offered the three-phase engine equipment developed by it for locomotives and promised technology transfer. The Chinese railroadmen are very impressed by the performance of the electric locomotives of Federal Railroads series E-120 which are made on the basis of this technology. In the fields of train control systems and railroad signal and communications systems, AEG [General Electric Company]-Telefunken as well as Siemens want to make knowhow available. Talbot declared itself ready to provide licenses for the solution of transportation space problems, especially for coal transportation.

Federal Transportation Minister Dr Werner Dollinger is sure that the Chinese are seriously thinking of letting German industry cooperate in the buildup of the Chinese transportation system (see pages 3 and 16 [of original]). This is also proved by the agreement on cooperation in the inland navigation sector which has now been entered into in Beijing. The most important thing here is to speed up the expansion of navigable waterways and to enable China to build modern inland vessels and coastal motor vessels.

China offered German industry activities for the expansion and new construction of ports along China's 18,000 kilometers of coastline. The transloading facilities and the infrastructure of the ports must above all be improved in order considerably to increase the speed of cargo handling in the ports. At this time, the laydays of vessels in Chinese ports still amount to 4 weeks and more. The Chinese Transportation Ministry would like to solve these problems with the help of knowhow from the FRG and carry out the modernization plans for ports and port railroads.

Finally, German industry was urged to participate in the big undertakings for new railroad co-lines. In China, 700 million tons of coal will soon have to be shipped each year. Reference was made to the Datong--Qinhuangdao coal shipment trunkline, in which the Japanese are also involved.

Plans call for a new multi-track, 700-kilometer electrified coal shipment line with an annual capacity of 100 million tons. Deputy Prime Minister Li Peng also let the German railroad industry know that its cooperation is desired. China is undoubtedly dependent on technology transfer for the transportation system if it wants to attain the targets of the Sixth Five-Year Plan, especially those of the energy and coal program; the exchange of scientists is also supposed to be helpful here. The existing manifold contacts between the Federal Transportation Ministry and the Chinese transportation experts and scientists in the field of railroading, water construction, and research installations should be further expanded.

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CSO: 3620/375

TRANSPORTATION

BRIEFS

HEILONGJIANG SPECIAL RAILROAD--In Heilongjiang, construction of a 41.5 km-long special railroad from Xinglong town to Heishan Mine began on 7 July. The railroad is designed to transport limestone from the Heishan Mine to the cement plants of more than 10 cities and counties in the northern part of Heilongjiang. As China's longest special railroad, it will be completed in September this year. [Summary] [Harbin HEILONGJIANG RIBAO in Chinese 8 Jul 84 p 1 SK]

CSO: 4006/676

FEI XIAOTONG SPEAKS ON SMALL CITIES, TOWNS

HK090359 Hong Kong HSIN WAN PAO in Chinese 4 Jul 84 p 2

["New Talk" Column: "Fei Xiaotong Again Talks About Small Cities and Towns"]

[Text] Yesterday, Fei Xiaotong, a noted sociologist, delivered a speech at the Chinese University of Hong Kong and he touched on the latest state of the present development of the small cities and towns in China.

Last year, he published an academic report of more than 40,000 characters, which is entitled "Small Cities and Towns, Big Problem." In his report, he has described the rise and types of small cities and towns, analyzed the internal factors for their emergence, and provided forecasts. His report has evoked repercussions throughout the country.

In February this year, Fei Xiaotong went to New Delhi to attend the "Asian Population Conference." On his return trip, he came to Hong Kong to meet people of the academic and diplomatic circles. At a forum, he discussed several issues, from the new appearance of his hometown Suzhou to an important change, that is, the leap in production brought about by the industrialization of the cities and towns in the countryside. At that time, he suggested that a new, Chinese-style industrial revolution which combines industry with agriculture was being launched in the mainland in the rural areas, that qualitative changes had taken place inside the cells of Chinese society, and that it marked the beginning of a true modernization.

More than 4 months later, he came to Hong Kong again and brought with him new news. The latest state of the development of cities and towns, which he discussed in his speech yesterday at the Chinese University of Hong Kong, is that in addition to combining industry with agriculture, the new, Chinese-style industrial revolution now under way in the cities and towns has recently entered the universities and research institutes. That is to say, with the strength of the intellectuals added to it, a brand new combination has come into existence.

In the past months, when Fei Xiaotong conducted investigations in Jiangsu, he discovered that some factories in the cities and towns had undertaken experiments designed by scientific research institutions. At the same

time, the scientific research institutions tested new products for the factories. If trial-production was successful, the factories were to assume contracted responsibilities for producing the products. The profits thus made were shared by the factories and the research institutions. The emergence of this new path has given Fei Xiaotong the impression that it will become a special force of China in the era of scientific and technological revolution. There are objective factors accounting for the revival or emergence of small cities and towns in the late 1970's. As a result of the sustained growth of agricultural production, the peasants' living standard, commodity rate, and the commodity rate of agricultural products have tremendously gone up. The development of the rural areas has made it necessary to have a city or a town in which peasants sell or buy goods, exchange information, and carry out the processing of agricultural products. At the same time, the manpower freed from agricultural production was put into industrial and sideline production. As such people could not go to the large cities, they tried to find jobs in the small cities and towns.

On the other hand, during the 10 years of turmoil, industrial production in the large cities was suspended. Some technicians were transferred to the countryside and some old workers returned to their hometowns. People in the same trade gathered together and set up all kinds of factories.

Consequently, the industrial technologies and techniques of the large cities and the surplus manpower of the rural areas converged in the cities and towns. Providing raw materials and technical know-how for the factories in the small cities and towns, the big factories in the big cities let the factories in the small cities and towns be responsible for part of the process of production. The products are sold by the big cities. The labor force working in the cities and towns lives in the rural areas. It can contribute to agriculture at the same time without adding to the populations of the cities. In this way, take Suzhou Prefecture as an example, there is one small city or town with a population of 10,000 to 20,000 every 15 or 25 li. They spread all over the country and an industrial revolution which "combines industry with agriculture" has been started.

It can be seen from the above that if the industry of the small cities and towns develops along these lines only, it will continue to be an appendage of the industry of the large cities and its level of production will not be higher than that of the industry of the large cities. In addition to the news of industrial development in the rural areas, the other piece of news brought by Fei Xiaotong this time is the spread of science and technology to the rural areas. This is a new thing which warrants our attention. The small factories do important things, produce fine-quality products, have their unique styles, and devote their efforts to producing high-grade, precision, and advanced industrial products. In this way, they will become a special force in the "third wave" of the scientific and technological revolution.

The question of how to encourage the growth of small cities and towns in order to make them play a more significant role is one which should be further studied.

CSO: 4006/678

END